# National Marine Dredging Company PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED 30 JUNE 2018

National Marine Dredging Company PJSC

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018 (unaudited)

***Contents***

Building a better working world

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# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## TO THE BOARD OF DIRECTORS OF NATIONAL MARINE DREDGING COMPANY PJSC

*Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of National Marine Dredging Company (the "Company") and its subsidiaries (together referred to as the "Group") as at 30 June 2018, comprising of the interim consolidated statement of financial position as at 30 June 2018 and the related interim consolidated income statement and interim consolidated statement of comprehensive income for the three month and six month period, and the interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "*Interim Financial Reporting* (IAS 34)". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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. Consequently, it 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 of Qualified Conclusion*

Trade and other receivables at 30 June 2018 includes unbilled receivables relating to both verbal contracts and signed contracts (net of allowances, amounts subsequently invoiced or collected, and amounts recognised on claims under negotiation) with the Government of Abu Dhabi, its departments or related parties, amounting to AED 1,001,619 thousand and AED 185,630 thousand respectively. We were unable to obtain sufficient and appropriate evidence to support the recognition of these balances due to the absence of signed contracts and/ or significant delays in the billing, collection and recoverability of these unbilled receivable balances. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**TO THE BOARD OF DIRECTORS OF NATIONAL MARINE DREDGING COMPANY PJSC**
continued

*Conclusion*
Based on our review, except for the possible 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

*Emphasis of matters*

- As stated in note 4 to the accompanying interim condensed 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 conclusion is not qualified in respect of this matter.

- We refer to note 2.3 to the interim condensed consolidated financial statements which discloses the significant judgement made by management in relation to the recognition of revenue over time from unsigned contracts in accordance with the requirements of IFRS 15 "Revenue from Contracts with Customers". Our conclusion is not qualified in respect of this matter.

*Other matters*

- The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed a qualified opinion on those consolidated financial statements on 20 March 2018.

- The interim condensed consolidated financial statements of the Group for the six month period ended 30 June 2017 were reviewed by another auditor who expressed a qualified conclusion on those interim condensed consolidated financial statements on 13 August 2017.

Signed by:
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No 532

13 August 2018
Abu Dhabi

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

| | Notes | *30 June 2018 AED '000 (Unaudited)* | *31 December 2017 AED '000 (Audited)* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | **1,120,348** | 1,069,627 |
| Goodwill and other intangible assets | | **50,203** | 50,601 |
| Investment in joint venture | 1 | **2,156** | - |
| Financial assets at fair value through other comprehensive income | | **46,891** | 58,429 |
| Retention receivables | | **-** | 53,822 |
| **Total non-current assets** | | **1,219,598** | 1,232,479 |
| **Current assets** | | | |
| Inventories | | **233,108** | 224,451 |
| Trade and other receivables | 4 | **2,664,992** | 2,476,745 |
| Financial assets at fair value through profit or loss | | **25,131** | 26,664 |
| Cash and bank balances | 6 | **97,124** | 183,412 |
| | | **3,020,355** | 2,911,272 |
| Assets classified as held for sale | | **63,497** | 86,899 |
| **Total current assets** | | **3,083,852** | 2,998,171 |
| **TOTAL ASSETS** | | **4,303,450** | 4,230,650 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | | **250,000** | 250,000 |
| Share premium | | **341,500** | 341,500 |
| Reserves | | **680,677** | 695,062 |
| Retained earnings | | **2,049,643** | 2,044,373 |
| Proposed dividend | | **-** | 50,000 |
| **Total equity** | | **3,321,820** | 3,380,935 |
| **Non-current liability** | | | |
| Provision for employees' end of service benefits | | **95,382** | 91,438 |
| **Current liabilities** | | | |
| Trade and other payables | 5 | **706,100** | 626,691 |
| Bank overdraft | 6 | **180,148** | 131,586 |
| **Total current liabilities** | | **886,248** | 758,277 |
| **Total liabilities** | | **981,630** | 849,715 |
| **TOTAL EQUITY AND LIABILITIES** | | **4,303,450** | 4,230,650 |

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NATIONAL MARINE DREDGING CO.

| **Mohamed Thani Murshed Al Rumaithi** | **Yasser Nasr Zaghloul** | **Sreemont Prasad Barua** |
|---|---|---|
| CHAIRMAN | CHIEF EXECUTIVE OFFICER | CHIEF FINANCIAL OFFICER |

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

# INTERIM CONSOLIDATED INCOME STATEMENT
For the period ended 30 June 2018

| | | *3 months ended 30 June* | | *6 months ended 30 June* | |
|---|---|---|---|---|---|
| | | ***2018*** | *2017* | ***2018*** | *2017* |
| | | ***AED '000*** | *AED '000* | ***AED '000*** | *AED '000* |
| | *Note* | ***(unaudited)*** | *(unaudited)* | ***(unaudited)*** | *(unaudited)* |
| Contract revenue | | **389,496** | 323,344 | **722,380** | 659,563 |
| Contract costs | | **(355,028)** | (305,160) | **(658,986)** | (613,377) |
| **GROSS PROFIT** | | **34,468** | 18,184 | **63,394** | 46,186 |
| General and administrative expenses | | **(16,592)** | (19,437) | **(31,860)** | (41,655) |
| Foreign currency exchange (loss) gain | | **153** | (2,698) | **(81)** | (2,204) |
| Fair value (loss) gain on financial assets at fair value through profit or loss | | **(23)** | 1,902 | **(1,532)** | 2,025 |
| Finance (expenses) income, net | | **(1,396)** | 1,056 | **(315)** | 405 |
| Board remuneration and employee bonus | | **(28,100)** | (10,000) | **(28,100)** | (15,667) |
| Other income, net | | **7,572** | 11,513 | **8,764** | 12,979 |
| **(LOSS) PROFIT FOR THE PERIOD** | | **(3,918)** | 520 | **10,270** | 2,069 |
| **Basic and diluted (loss) earnings per share in AED** | 7 | **(0.02)** | 0.002 | **0.04** | 0.01 |

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2018

| | *3 months ended 30 June* | | *6 months ended 30 June* | |
|---|---|---|---|---|
| | ***2018*** | *2017* | ***2018*** | *2017* |
| | ***AED '000*** | *AED '000* | ***AED '000*** | *AED '000* |
| | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* |
| **(LOSS) PROFIT FOR THE PERIOD** | **(3,918)** | 520 | **10,270** | 2,069 |
| **Other comprehensive (loss) income** | | | | |
| *Items that will not be reclassified to consolidated income statement:* | | | | |
| Loss on revaluation of investment in financial assets carried at fair value through other comprehensive income | **(7,858)** | (29,422) | **(11,539)** | (28,661) |
| Release of cumulative gain on investments carried at fair value through other comprehensive income | **-** | (2,129) | **-** | (2,129) |
| *Items that may be subsequently reclassified to consolidated income statement* | | | | |
| Exchange differences arising on translation of foreign operations | **(1,542)** | (357) | **(2,846)** | (445) |
| **OTHER COMPREHENSIVE LOSS FOR THE PERIOD** | **(9,400)** | (31,908) | **(14,385)** | (31,235) |
| **TOTAL COMPREHENSIVE LOSS FOR THE PERIOD** | **(13,318)** | (31,388) | **(4,115)** | (29,166) |

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2018

| | *Share capital AED '000* | *Share premium AED '000* | *Reserves AED '000* | *Retained earnings AED '000* | *Proposed dividend AED '000* | *Total equity AED '000* |
|---|---|---|---|---|---|---|
| Balance at 1 January 2017 (Audited) | 250,000 | 341,500 | 743,405 | 1,987,629 | 37,500 | 3,360,034 |
| Profit for the period | - | - | - | 2,069 | - | 2,069 |
| Other comprehensive loss | - | - | (31,235) | - | - | (31,235) |
| Total comprehensive (loss) income for the period | - | - | (31,235) | 2,069 | - | (29,166) |
| Dividends (note 8) | - | - | - | - | (37,500) | (37,500) |
| Balance at 30 June 2017 (Unaudited) | 250,000 | 341,500 | 712,170 | 1,989,698 | - | 3,293,368 |
| Balance at 1 January 2018 (Audited) | 250,000 | 341,500 | 695,062 | 2,044,373 | 50,000 | 3,380,935 |
| Profit for the period | - | - | - | 10,270 | - | 10,270 |
| Other comprehensive loss | - | - | (14,385) | - | - | (14,385) |
| Total comprehensive (loss) income for the period | - | - | (14,385) | 10,270 | - | (4,115) |
| Dividends (note 8) | - | - | - | (5,000) | (50,000) | (55,000) |
| Balance at 30 June 2018 (Unaudited) | **250,000** | **341,500** | **680,677** | **2,049,643** | **-** | **3,321,820** |

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 June 2018

| | *6 months ended 30 June* | |
|---|---|---|
| | ***2018*** | *2017* |
| | ***(unaudited)*** | *(unaudited)* |
| | ***AED '000*** | *AED '000* |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit for the period | **10,270** | 2,069 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **79,159** | 76,815 |
| Amortisation of intangibles | **398** | 398 |
| Gain on disposal of property, plant and equipment | **(6,598)** | (900) |
| Fair value loss (gain) on financial assets at fair value through profit or loss | **1,532** | (2025) |
| Dividend income | **(1,467)** | (923) |
| Provision for (reversal of) allowance for impairment of trade receivables | **97,673** | (419) |
| Other provisions | **(521)** | 2,267 |
| Finance expense, net | **1,781** | 518 |
| Provision for employees' end of service benefits | **5,669** | 20,306 |
| | **187,896** | 98,106 |
| Interest expense paid | **(3,848)** | (518) |
| Employees' end of service benefit paid | **(1,640)** | (16,575) |
| | **182,408** | 81,013 |
| Net movement in working capital | | |
| Change in inventories | **(8,657)** | 8,186 |
| Change in trade and other receivables | **(232,098)** | 14,486 |
| Change in trade and other payables | **80,019** | 80,711 |
| **Net cash generated from operating activities** | **21,672** | 184,396 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | **(110,407)** | (128,117) |
| Purchase of investment in financial assets at fair value through other comprehensive income | **-** | (100,089) |
| Investment in joint venture | **(2,156)** | - |
| Proceeds from disposal of property, plant and equipment | **12,594** | 3,185 |
| Proceeds from disposal of investment in financial assets at fair value through other comprehensive income | **-** | 8,580 |
| Dividend income | **1,467** | 923 |
| **Net cash used in investing activities** | **(98,502)** | (215,518) |
| **CASH FLOWS FROM FINANCING ACTIVITY** | | |
| Dividends paid (note 8) | **(55,174)** | (38,246) |
| **Net cash used in financing activity** | **(55,174)** | (38,246) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(132,004)** | (69,368) |
| Cash and cash equivalents at 1 January | **50,165** | 137,223 |
| Foreign exchange translation adjustment | **(2,846)** | (445) |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | **(84,685)** | 67,410 |

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

## 1 GENERAL INFORMATION

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 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 Bahrain, Egypt, Saudi Arabia and India through its subsidiaries, branches and joint operations.

The interim financial information of the Company as at and for the period of six months ended 30 June 2018 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* | | *Principal activities* |
|---|---|---|---|---|
| | | *2018* | *2017* | |
| 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 |
| 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 |
| National Marine Dredging Company (NMDC) | Saudi Arabia | Branch | | Perform drilling operation within the bottom of coastal seas, dredging and withdrawing the soil or extracting out |
| National Marine Dredging Company | Egypt | Branch | | Dredging and associated land reclamation works, civil engineering, port contracting and marine construction |
| National Marine Dredging Company | Maldives | Branch | | Dredging and associated land reclamation works, civil engineering, port contracting and marine construction |

## 1 GENERAL INFORMATION continued

In November 2017, the Company entered into a Memorandum of Agreement with Canal Harbour and Great Projects Company (CHGP), an affiliated company of Suez Canal Authority in Egypt. The agreement relates to the incorporation of a joint stock company (the "Joint Venture") to execute dredging and related works, and other engineering consulting services inside and outside the Arab Republic of Egypt. During the period, the legal process for incorporating the joint venture under the name of "The Challenge Egyptian Emirates Marine Dredging Company" has been completed with the shareholding of the Group at 49% and equal representation in Board of Directors of the Joint Venture. The Joint Venture is formed for an initial period of five years which will be automatically renewed upon approval of both parties, and has been incorporated in the Suez Canal Economic Zone.

## 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

These interim condensed consolidated financial statements are presented in UAE Dirham (AED) which is the currency of primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency. All financial information presented in AED has been rounded to the nearest thousand except otherwise stated.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017. In addition, results for the six month period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

### 2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of following new standards and interpretations effective as of 1 January 2018.

Although these new standards, interpretations and amendments apply for the first time in 2018, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The new interpretations and amendments relate to the following:

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
- Amendments to IAS 40 Transfers of Investment Property
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28
- IFRS 15 Revenue from Contracts with Customers

## 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES continued

### 2.2 New standards, interpretations and amendments adopted by the Group continued

*IFRS 15 Revenue from Contracts with Customers*
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted IFRS 15 effective 1 January 2018 using the modified retrospective method of adoption.

Management has assessed the impact of IFRS 15 in line with the current revenue recognition policies. Based on this assessment, there has not been any material change from the adoption of IFRS 15 in the revenue recognition policies detailed in note 4 of the Group's consolidated financial statements for the year ended 31 December 2017.

*Investments in joint ventures*
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint 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.

The results and assets and liabilities of associates or joint ventures are incorporated in these condensed consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in a joint venture is initially recognised are carried in the consolidated statement of financial position at cost and as adjusted thereafter to recognise for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate and joint venture.

Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long term interests that, in substance, form part of the Group's net investment in joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Where an entity in the Group transacts with a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture.

## 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES continued

### 2.3 Critical accounting judgments and key sources of estimation uncertainty

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated financial statements for the year ended 31 December 2017, except for the new judgements and estimates explained below.

*Determining whether unsigned (verbal) agreements meet the definition of contract under IFRS 15:*
Certain projects for the Government of Abu Dhabi, its department or related parties, are executed on the basis of verbally agreed terms (including an estimate of total project cost and timelines) in line with the Group's historical business practice. Management has determined such unsigned verbal agreements meet the definition of a 'contract with customer' under IFRS 15 on the basis of external legal opinion. Based on legal opinion, management considers such unsigned verbal agreements to meet the definition of a 'contract with customer' under IFRS 15 since the Company and the customer agree upon the essential elements of a contract and any other lawful conditions, matters of detail can be left to be agreed upon at a later date, and the contract will be deemed to have been made and will be binding even in the absence of agreement on these matter of detail. In addition, under Article 132 of the UAE Civil code a contract can be oral or written, a contract can also result from acts which demonstrate the presence of mutual consent between the relevant parties.

*Joint arrangement*
For assessing joint control, the Group has considered the contractually agreement of sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. For the purpose of assessing whether a joint arrangement is a joint venture or joint operation, the Group has considered whether it has joint control on rights to the net assets of the arrangements, in which case these are treated as joint ventures or rights to the assets, and obligations for the liabilities, relating to the arrangement, in which case these are treated as joint operations.

The Group has concluded that the incorporation of a joint stock company *"The Challenge Egyptian Emirates Marine Dredging Company"*, to execute dredging and related works, and other engineering consulting services inside and outside the Arab Republic of Egypt, is a joint venture because each party has equal representation in the board and unanimous consent of the board of directors is required for any resolution to be passed.

## 3 PROPERTY, PLANT AND EQUIPMENT

| | *AED'000* |
|---|---|
| Cost | |
| At 1 January 2017 (Audited) | 3,285,389 |
| Additions | 195,638 |
| Disposals | (22,129) |
| Transfers to assets 'classified as held for sale' | (182,983) |
| At 1 January 2018 (Audited) | 3,275,915 |
| Additions | 112,479 |
| Disposals | (44,758) |
| Transfers from assets 'classified as held for sale' | 56,919 |
| Forex adjustment | (21) |
| **At 30 June 2018 (Unaudited)** | **3,400,534** |
| Accumulated depreciation | |
| At 1 January 2017 (Audited) | 2,167,032 |
| Charge for the year | 156,841 |
| Disposals | (21,501) |
| Transfers to assets 'classified as held for sale' | (96,084) |
| At 1 January 2018 (Audited) | 2,206,288 |
| Charge for the period | 79,159 |
| Disposals | (38,762) |
| Transfers from assets 'classified as held for sale' | 33,516 |
| Forex adjustment | (15) |
| **At 30 June 2018 (Unaudited)** | **2,280,186** |
| Net carrying amount | |
| **At 30 June 2018 (Unaudited)** | **1,120,348** |
| At 31 December 2017 (Audited) | 1,069,627 |

## 4 TRADE AND OTHER RECEIVABLES

| | ***30 June 2018 (Unaudited) AED'000*** | *31 December 2017 (Audited) AED'000* |
|---|---|---|
| Trade receivables, net of provision for impairment | **189,681** | 542,210 |
| Retention receivables – current portion | **49,294** | 42,698 |
| Unbilled receivables, net of provision for impairment | **2,169,602** | 1,756,925 |
| Deposits and prepayments | **32,426** | 26,894 |
| Other receivables | **223,989** | 108,018 |
| | **2,664,992** | 2,476,745 |

Receivables, net are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

## 4 TRADE AND OTHER RECEIVABLES continued

During the period, the Group has terminated its operations under a contract with a customer due to an ongoing dispute in relation to the scope of work and the Group's performance obligations under the contract. The Group had previously issued a performance guarantee in relation to the contract, and has certain outstanding receivable balances from the customer in relation to work performed under the contract. Management is currently negotiating with the customer for the recovery of the outstanding balances, and a release of the guarantee.

Unbilled receivables, net of provision for impairment, are analysed as follows:

| | ***30 June 2018 (Unaudited) AED'000*** | *31 December 2017 (Audited) AED'000* |
|---|---|---|
| *Unsigned contracts* | | |
| - Government of Abu Dhabi and its related entities | **1,001,619** | 803,024 |
| - Other entities | **132,834** | - |
| | **1,134,453** | 803,024 |
| *Signed contracts* | | |
| - Government of Abu Dhabi and its related entities | **997,213** | 890,443 |
| - Other entities | **37,936** | 63,458 |
| | **1,035,149** | 953,901 |
| | **2,169,602** | 1,756,925 |

Unbilled receivables include AED 621,684 thousand (31 December 2017: AED 627,708 thousand) and AED 807,073 thousand (31 December 2017: AED 780,183 thousand), outstanding for a period exceeding one year, from unsigned and signed contracts respectively.

Unbilled receivables include AED 199,182 thousand and AED 261,392 thousand recognised as revenue during the period from unsigned and signed contracts respectively.

Prior to 2015, management recognised revenue amounting to AED 600 million from a contract with a government related entity, out of a total proposed claim amounting to AED 1,306 million. Unbilled receivables include AED 600 million in relation to this contract (31 December 2017: AED 600 million). The customer has acknowledged receipt of the claim and advised that the claim is under review. A provisional acceptance certificate has been received from the customer in 2017.

## 4 TRADE AND OTHER RECEIVABLES continued

**Allowance for expected credit loss**

The Group recognises lifetime expected credit loss (ECL) for trade and unbilled receivables using the simplified approach. To determine the expected credit losses all debtors are classified into four categories:

- Category I – billed receivables and unbilled receivables from government related companies;
- Category II – private companies with low credit risk;
- Category III – private companies with high credit risk; and
- Category IV – debtors at default.

These are adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

**Trade and retention receivables as at 30 June 2018 (Unaudited)**

| | *Categories* | | | | |
|---|---|---|---|---|---|
| | ***I*** | ***II*** | ***III*** | ***IV*** | ***Total*** |
| | ***AED'000*** | ***AED'000*** | ***AED'000*** | ***AED'000*** | ***AED'000*** |
| Expected credit loss rate | **0 to 1%** | **1 to 20%** | **20 to 99%** | **100%** | |
| Estimated total gross carrying amount | **156,491** | **85,959** | **92,453** | **37,780** | **372,683** |
| Lifetime expected credit loss | **(469)** | **(10,427)** | **(85,032)** | **(37,780)** | **(133,708)** |
| **Net trade and retention receivables** | **156,022** | **75,532** | **7,421** | **-** | **238,975** |

Trade and retention receivables as at 31 December 2017 (Audited)

| | *Categories* | | | | |
|---|---|---|---|---|---|
| | *I* | *II* | *III* | *IV* | *Total* |
| | *AED'000* | *AED'000* | *AED'000* | *AED'000* | *AED'000* |
| Expected credit loss rate | 0 to 1% | 1 to 20% | 20 to 99% | 100% | |
| Estimated total gross carrying amount | 581,258 | 68,558 | 116 | 37,498 | 687,430 |
| Lifetime expected credit loss | (1,743) | (9,428) | (31) | (37,498) | (48,700) |
| Net trade and retention receivables | 579,515 | 59,130 | 85 | - | 638,730 |

**4 TRADE AND OTHER RECEIVABLES** continued

**Unbilled receivables as at 30 June 2018 (Unaudited)**

| | *Categories* | | | | |
|---|---|---|---|---|---|
| | ***I*** | ***II*** | ***III*** | ***IV*** | ***Total*** |
| | ***AED'000*** | ***AED'000*** | ***AED'000*** | ***AED'000*** | ***AED'000*** |
| Expected credit loss rate | **0 to 1%** | **1 to 20%** | **20 to 99%** | **100%** | |
| Estimated total gross carrying amount | **2,140,269** | **37,936** | **5,621** | **39,306** | **2,223,132** |
| Lifetime expected credit loss | **(8,561)** | **(3,794)** | **(1,869)** | **(39,306)** | **(53,530)** |
| **Net unbilled receivables** | **2,131,708** | **34,142** | **3,752** | **-** | **2,169,602** |

Unbilled receivables as at 31 December 2017 (Audited)

| | *Categories* | | | | |
|---|---|---|---|---|---|
| | *I* | *II* | *III* | *IV* | *Total* |
| | *AED'000* | *AED'000* | *AED'000* | *AED'000* | *AED'000* |
| Expected credit loss rate | 0 to 1% | 1 to 20% | 20 to 99% | 100% | |
| Estimated total gross carrying amount | 1,741,210 | 24,317 | 5,621 | 26,642 | 1,797,790 |
| Lifetime expected credit loss | (6,965) | (4,863) | (2,395) | (26,642) | (40,865) |
| Net unbilled receivables | 1,734,245 | 19,454 | 3,226 | - | 1,756,925 |

In determining the recoverability of a trade receivables, 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.

**5 TRADE AND OTHER PAYABLES**

| | ***30 June 2018 (Unaudited) AED'000*** | *31 December 2017 (Audited) AED'000* |
|---|---|---|
| Trade payables | **233,277** | 143,018 |
| Accrued liabilities | **202,911** | 282,605 |
| Advances from customers | **59,306** | 100,565 |
| Provisions | **35,205** | 35,725 |
| Dividends payable | **31,803** | 31,978 |
| Gross amount due to customers on construction contracts | **4,829** | 3,870 |
| Retentions payable | **13,634** | 14,591 |
| Other payables | **125,135** | 14,339 |
| | **706,100** | 626,691 |

## 6 CASH AND CASH EQUIVALENTS

| | ***30 June 2018 (Unaudited) AED'000*** | *31 December 2017 (Audited) AED'000* | *30 June 2017 (Unaudited) AED'000* |
|---|---|---|---|
| Cash in hand | **3,027** | 844 | 1,154 |
| Cash at banks | | | |
| - Current accounts | **46,797** | 166,602 | 105,009 |
| - Short term deposits | **47,300** | 15,966 | 899 |
| Cash and bank balances | **97,124** | 183,412 | 107,062 |
| Less: bank overdraft | **(180,148)** | (131,586) | (39,652) |
| Less: cash margin | **(1,661)** | (1,661) | - |
| Cash and cash equivalents | **(84,685)** | 50,165 | 67,410 |

Short term deposits have maturities less than three months. These deposits, and the bank overdraft facilities, carry interest at prevailing market interest rates.

## 7 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 June 2017: 250,000,000 shares). There are no potentially dilutive instruments therefore the basic and diluted earnings per share are the same.

## 8 DIVIDENDS

At the annual general meeting held on 15 April 2018, the shareholders approved the a dividend of AED 0.22 per share for a total amounting to AED 55 million (2017: AED 37.5 million) and remuneration of the Board of Directors amounting to AED 10.1 million, relating to year ended 31 December 2017.

## 9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Government of Abu Dhabi, Directors and key management personnel, management entities engaged by the Group 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. The Group derives significant portion of its UAE revenue from the Government of Abu Dhabi, its departments and related entities.

## 9 RELATED PARTY TRANSACTIONS AND BALANCES continued

Balances with related parties included in the interim consolidated statement of financial position are as follows:

| | **30 June 2018 (Unaudited) AED'000** | *31 December 2017 (Audited) AED'000* |
|---|---|---|
| *Balances with Government of Abu Dhabi and related entities:* | | |
| Trade and other receivables | **2,185,893** | 2,019,790 |
| *Balance with shareholders (excluding Government of Abu Dhabi and related entities):* | | |
| Trade and other receivables | **11,442** | 11,442 |
| Trade and other payables | **32,247** | 32,247 |
| *Due from joint venture for project related work:* | | |
| Trade and other receivables | **132,325** | - |
| Financial assets at fair value through other comprehensive income | **46,891** | 58,429 |

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

| | **3 months ended 30 June** | | **6 months ended 30 June** | |
|---|---|---|---|---|
| | **2018 Unaudited) AED'000** | *2017 (Unaudited) AED'000* | **2018 (Unaudited) AED'000** | *2017 (Unaudited) AED'000* |
| *Government and related entities* | | | | |
| Revenue earned during the period | **223,275** | 196,369 | **392,020** | 365,114 |
| *Joint venture* | | | | |
| Revenue earned during the period | **88,880** | - | **132,325** | - |

### Transactions with key management personnel

| | **3 months ended 30 June** | | **6 months ended 30 June** | |
|---|---|---|---|---|
| | **2018 Unaudited) AED'000** | *2017 (Unaudited) AED'000* | **2018 (Unaudited) AED'000** | *2017 (Unaudited) AED'000* |
| *Key management compensation* | **1,208** | 1,164 | **2,385** | 2,318 |

*Other related party transactions*

In 2017, Abu Dhabi Municipality (the "Municipality") has granted the Company the right to use the land at the Company's base facilities in Musaffah for an annual charge of AED 1,799 thousand (2017: 1,799 thousand) per annum.

## 10 CONTINGENCIES AND COMMITMENTS

| | ***30 June 2018 (Unaudited) AED'000*** | *31 December 2017 (Audited) AED'000* |
|---|---|---|
| Bank guarantees | **949,568** | 1,065,756 |
| Letters of credit | **9,810** | 75,412 |
| Capital commitments | **19,404** | 54,208 |

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

## 11 FAIR VALUE OF FINANCIAL INSTRUMENTS

**Fair value measurement recognized in the interim consolidated statement of financial position**

The fair values of the Group's financial assets and liabilities as at 30 June 2018 are not materially different from their carrying values at the same date.

The following table provides the fair value measurement hierarchy of the Group's financial assets which are measured at fair value as at 30 June 2018 and 31 December 2017:

| | | *Fair value measurement* | | |
|---|---|---|---|---|
| | *Total AED'000* | *Quoted prices in Active markets (Level 1) AED'000* | *Significant observable inputs (Level 2) AED'000* | *Significant unobservable inputs (Level 3) AED'000* |
| ***As at 30 June 2018 (Unaudited)*** | | | | |
| Financial assets at fair value through other comprehensive income (FVTOCI) | **46,891** | **46,891** | **-** | **-** |
| Financial assets at fair value through profit or loss (FVTPL) | **25,131** | **24,188** | **-** | **943** |
| *As at 31 December 2017 (Audited)* | | | | |
| Financial assets at fair value through other comprehensive income (FVTOCI) | 58,429 | 58,429 | - | - |
| Financial assets at fair value through profit or loss (FVTPL) | 26,664 | 25,721 | - | 943 |

There were no transfers of financial assets between levels during the period.

## 12 SEGMENT INFORMATION

**Geographical segment information**

The Group has aggregated its geographical segments into UAE and International. UAE segment includes projects in the UAE, while International segment includes operations in Egypt, Bahrain, India, Maldives and East Africa.

## 12 SEGMENT INFORMATION continued

**Geographical segment information** continued
The following table shows the Group's geographical segment analysis:

| | *6 months ended 30 June 2018 (Unaudited)* | | |
|---|---|---|---|
| | ***UAE*** | ***International*** | ***Group*** |
| | ***AED'000*** | ***AED'000*** | ***AED'000*** |
| Segment revenue | **489,252** | **249,806** | **739,058** |
| Intersegment revenue | | | **(16,678)** |
| Revenue | | | **722,380** |
| Segment gross profit | **132,229** | **(68,835)** | **63,394** |
| General and administrative expenses | | | **(31,860)** |
| Fair value loss on financial assets at fair value through profit or loss | | | **(1,532)** |
| Finance expense, net | | | **(315)** |
| Foreign currency exchange gain | | | **(81)** |
| Board remuneration and employee bonus | | | **(28,100)** |
| Other income | | | **8,764** |
| Profit for the period | | | **10,270** |

| | *At 30 June 2018 (Unaudited)* | | |
|---|---|---|---|
| | ***UAE*** | ***International*** | ***Group*** |
| | ***AED'000*** | ***AED'000*** | ***AED'000*** |
| Total assets | **3,729,358** | **574,092** | **4,303,450** |
| Total liabilities | **595,921** | **385,709** | **981,630** |
| Equity | | | **3,321,820** |

| | *6 months ended 30 June 2017 (Unaudited)* | | |
|---|---|---|---|
| | *UAE* | *International* | *Group* |
| | *AED'000* | *AED'000* | *AED'000* |
| Segment revenue | 371,946 | 368,567 | 740,513 |
| Intersegment revenue | - | - | (80,950) |
| Revenue | | | 659,563 |
| Segment gross profit | 6,253 | 39,933 | 46,186 |
| General and administrative expenses | | | (41,655) |
| Fair value gain on financial assets at fair value through profit or loss | | | 2,025 |
| Finance expense, net | | | 405 |
| Foreign currency exchange gain | | | (2,204) |
| Board remuneration and employee bonus | | | (15,667) |
| Other income | | | 12,979 |
| Profit for the period | | | 2,069 |

| | *At 31 December 2017 (Audited)* | | |
|---|---|---|---|
| | *UAE* | *International* | *Group* |
| | *AED'000* | *AED'000* | *AED'000* |
| Total assets | 3,307,110 | 923,540 | 4,230,650 |
| Total liabilities | 404,057 | 445,658 | 849,715 |
| Equity | | | 3,380,935 |

**13 APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The interim condensed consolidated financial statements were approved by Board of Directors and authorised for issue on ______2018.