# NATIONAL MARINE DREDGING COMPANY

**Review report and interim financial information for the period ended 30 September 2017**

NATIONAL MARINE DREDGING COMPANY

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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 interim statement of financial position of National Marine Dredging Company ("the Company") and its subsidiaries (together referred to as "the Group") as at 30 September 2017 and the related condensed consolidated statements of profit or loss, 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 unbilled receivables on projects wherein formal agreements have not been signed for significant periods of time with the Government of Abu Dhabi, its departments, or other related parties. In addition, various projects with formal agreements have long outstanding receivables which are still unbilled. Unbilled receivables relating to both unsigned contracts and signed contracts, net of allowances, amounts subsequently invoiced or collected, and amounts recognised on claims under negotiation amounted to AED 587,961 thousand and AED 181,509 thousand, respectively at 30 September 2017 and AED 519,750 thousand and AED 180,183 thousand, respectively at 31 December 2016. Due to the absence of signed contracts and the significant delays in billing and collection, we were unable to obtain sufficient and appropriate evidence on the recoverability of these unbilled receivable balances and we were unable to determine with reasonable certainty whether any adjustments to these unbilled receivables were necessary and therefore quantify the effect on assets, retained earnings and profit or loss for the period/year ended 30 September 2017 and 31 December 2016.

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## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (continued)

*Qualified 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 financial information is not prepared, in all material respects in accordance with IAS 34 *Interim Financial Reporting*.

**Emphasis of matter**

*Long outstanding unbilled receivables*

As stated in note 7 to the 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.

Deloitte & Touche (M.E.)

Signed by:
Rama Padmanabha Acharya
Registration Number 701

12 NOV 2017

Abu Dhabi
United Arab Emirates

## Condensed consolidated statement of financial position as at 30 September 2017

| | Notes | 30 September 2017 AED '000 (unaudited) | 31 December 2016 AED '000 (audited) (restated) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 1,102,538 | 1,118,357 |
| Goodwill and other intangible assets | | 50,800 | 51,397 |
| Retention receivables | | 50,834 | 63,511 |
| **Total non-current assets** | | 1,204,172 | 1,233,265 |
| **Current assets** | | | |
| Inventories | 6 | 218,367 | 227,671 |
| Trade and other receivables | 7 | 2,843,370 | 2,750,345 |
| Available-for-sale financial assets | 8 | 73,944 | 8,796 |
| Financial assets at fair value through profit or loss | 9 | 24,785 | 28,713 |
| Cash and bank balance | 10 | 236,163 | 137,223 |
| | | 3,396,629 | 3,152,748 |
| **Asset classified as held for sale** | 5 | 86,899 | - |
| **Total current assets** | | 3,483,528 | 3,152,748 |
| **Total assets** | | 4,687,700 | 4,386,013 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | | 250,000 | 250,000 |
| Share premium | | 341,500 | 341,500 |
| Reserves | | 713,012 | 743,405 |
| Retained earnings | | 2,012,148 | 1,987,629 |
| Proposed dividend | | - | 37,500 |
| **Total equity** | | 3,316,660 | 3,360,034 |
| **Non-current liability** | | | |
| Provision for employees' end of service benefits | | 89,706 | 73,286 |
| **Current liabilities** | | | |
| Advances from customers | 11 | 112,481 | 119,588 |
| Provisions | 14 | 44,542 | 40,666 |
| Trade and other payables | 15 | 978,739 | 759,160 |
| Dividends payable | | 32,067 | 33,279 |
| Bank overdraft | 10 | 113,505 | - |
| **Total current liabilities** | | 1,281,334 | 952,693 |
| **Total liabilities** | | 1,371,040 | 1,025,979 |
| **Total equity and liabilities** | | 4,687,700 | 4,386,013 |

**Mohamed Thani Murshed Al Rumaithi**
Chairman

**Yasser Nasr Zaghloul**
Chief Executive Officer

**Edwin Ros**
Chief Financial Officer

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

## Condensed consolidated statement of profit or loss for the period ended 30 September 2017

| | Notes | 9 months ended 30 September 2017 AED '000 (unaudited) | 9 months ended 30 September 2016 AED '000 (unaudited) | 3 months ended 30 September 2017 AED '000 (unaudited) | 3 months ended 30 September 2016 AED '000 (unaudited) |
|---|---|---|---|---|---|
| **Contract revenue** | | **1,001,186** | 973,374 | **341,623** | 321,334 |
| Contract costs | | **(901,887)** | (903,856) | **(288,510)** | (288,204) |
| **Gross profit** | | **99,299** | 69,518 | **53,113** | 33,130 |
| General and administrative expenses | | **(62,255)** | (69,673) | **(20,600)** | (21,751) |
| Finance income/(costs), net | 17 | **(142)** | 5,812 | **(2,572)** | (95) |
| Provision for liquidated damages | | - | (16,894) | **(298)** | (198) |
| Reversal of liquidated damages | | - | 29,763 | - | - |
| Board remuneration and employee bonus | | **(15,667)** | - | - | - |
| Provision for restructuring | | - | - | - | 5,230 |
| Provision for future losses | | - | (2,140) | - | (2,140) |
| Reversal of provision for future losses | | - | 16,951 | - | 949 |
| Foreign currency exchange gain/(loss) | | **252** | (4,250) | **2,456** | (1,021) |
| Other income/(expenses), net | 16 | **3,032** | 11,055 | **(9,649)** | 793 |
| **Profit for the period** | | **24,519** | 40,142 | **22,450** | 14,897 |
| **Basic and diluted earnings per share (AED)** | 12 | **0.10** | 0.16 | **0.09** | 0.06 |

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 2017

| | Note | 9 months ended 30 September 2017 AED '000 (unaudited) | 9 months ended 30 September 2016 AED '000 (unaudited) (restated) | 3 months ended 30 September 2017 AED '000 (unaudited) | 3 months ended 30 September 2016 AED '000 (unaudited) (restated) |
|---|---|---|---|---|---|
| **Profit for the period** | | **24,519** | 40,142 | **22,450** | 14,897 |
| **Other comprehensive income** | | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | | |
| Release on foreign currency exchange hedge | | **-** | 863 | **-** | - |
| Fair value (loss)/gains on available-for-sale financial assets, net | **8** | **(28,561)** | 697 | **100** | 621 |
| Release on cumulative gain on available-for-sale financial assets | | **(2,129)** | - | **-** | - |
| Cumulative translation adjustment | | **297** | 537 | **741** | (548) |
| **Total comprehensive (loss)/ income for the period** | | **(5,874)** | 42,239 | **23,291** | 14,970 |

## Condensed consolidated statement of changes in equity for the period ended 30 September 2017

| | 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 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 gain 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 18) | - | - | - | (125,000) | - | (125,000) |
| Balance at 30 September 2016 (unaudited) | 250,000 | 341,500 | 744,019 | - | 2,008,603 | 3,344,122 |
| Balance at 1 January 2017 (audited) | 250,000 | 341,500 | 743,405 | 37,500 | 1,987,629 | 3,360,034 |
| Profit for the period | - | - | - | - | 24,519 | 24,519 |
| *Other comprehensive income* | | | | | | |
| Fair value loss on available-for-sale financial assets (net) | - | - | (28,561) | - | - | (28,561) |
| Release on cumulative gain on available-for-sale financial assets | - | - | (2,129) | - | - | (2,129) |
| Cumulative translation adjustment | - | - | 297 | - | - | 297 |
| Total comprehensive loss for the period | - | - | (30,393) | - | 24,519 | (5,874) |
| Dividends (note 18) | - | - | - | (37,500) | - | (37,500) |
| **Balance at 30 September 2017 (unaudited)** | 250,000 | 341,500 | 713,012 | - | 2,012,148 | 3,316,660 |

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 2017

| | 9 months ended 30 September | |
|---|---|---|
| | **2017 (unaudited) AED '000** | 2016 (unaudited) AED '000 |
| **Cash flows from operating activities** | | |
| Profit for the period | **24,519** | 40,142 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **117,672** | 143,138 |
| Amortisation of intangibles | **597** | 597 |
| Interest expense/(income) | **1,466** | (441) |
| Provision for liquidated damages | **-** | 16,894 |
| Reversal of provision for liquidated damages | **(298)** | (29,763) |
| Provision for future losses | **4,962** | 2,140 |
| Reversal for provision for future losses | **-** | (16,951) |
| Other provisions | **(788)** | 13,525 |
| Gain on disposal of property, plant and equipment | **(1,815)** | (3,193) |
| Gain on sale of available for sale investment | **(4,329)** | - |
| Loss/(gain) on fair value of financial assets at fair value through profit or loss | **3,928** | (4,494) |
| Dividend income | **(923)** | (877) |
| End of service benefit charge | **23,205** | 12,024 |
| **Operating cash flows charge in operating assets and liabilities** | **168,196** | 172,741 |
| Decrease/(increase) in inventories | **9,304** | (7,884) |
| Increase in trade and other receivables | **(80,348)** | (292,577) |
| Increase in trade and other payables | **227,043** | (50,345) |
| Decrease in advances from customers | **(7,107)** | (36,081) |
| **Cash generated from operating activities** | **317,088** | (214,146) |
| End of service benefits paid | **(14,249)** | (10,935) |
| **Net cash generated from operating activities** | **302,839** | (225,081) |
| **Cash flows from investing activities** | | |
| Payment for acquisition of property, plant and equipment | **(189,813)** | (127,067) |
| Purchase of investments | **(100,089)** | - |
| Dividend income | **923** | 877 |
| Proceeds from disposal of investments | **8,580** | - |
| Proceeds from disposal of property, plant and equipment | **2,876** | 5,629 |
| **Net cash used in investing activities** | **(277,523)** | (120,561) |
| **Cash flows from financing activities** | | |
| Dividends paid | **(38,712)** | (125,917) |
| Interest expense (paid)/received | **(1,466)** | 441 |
| **Net cash used in financing activities** | **(40,178)** | (125,476) |
| **Net decrease in cash and cash equivalents** | **(14,862)** | (471,118) |
| Cash and cash equivalents at beginning of the period | **137,223** | 597,491 |
| Cumulative translation adjustment | **297** | 537 |
| **Cash and cash equivalents at end of the period** | **122,658** | 126,910 |

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 2017**

## 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 Bahrain, Egypt 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-month ended 30 September 2017 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 2017 | 2016 | 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. (Dormant) | 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 |
| National Marine Dredging Company (Branch) | Saudi Arabia | **100%** | 100% | Perform drilling operation within the bottom of coastal seas, dredging and withdrawing the soil or extracting out |

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 1 General information (continued)

| Name | Country of incorporation | Share of equity 2017 | 2016 | Principal activities |
|---|---|---|---|---|
| National Marine Dredging Company (Branch) | Egypt | **100%** | 100% | Dredging and associated land reclamation works, civil engineering, port contracting and marine construction |

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

### 2.1 New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the 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 2016, except for the adoption of the following new or amended accounting policies, new standards and interpretations effective as of 1 January 2017 and assets held for sale.

The following revised IFRSs have been adopted in this condensed consolidated interim financial information. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- IAS 7 *Statement of cash flows* relating to disclosure initiatives
- Amendments to IFRS 12 resulting from Annual Improvements 2014 – 2016 Cycle regarding clarifying the scope of the standard
- IAS 12 amendments regarding the recognition of deferred tax assets for unrealised losses

### 2.2 New and amended standards 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 date |
|---|---|
| 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 accounting chapter in IFRS 9 | When IFRS 9 is first applied |
| IFRS 15 – *Revenue from contracts with customers* | 1 January 2018 |
| IFRS 16 *Leases* | 1 January 2019 |

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

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

### 2.2 New and amended standards in issue but not yet effective (continued)

| New and revised IFRSs | Effective date |
|---|---|
| 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 |
| Amendments to IFRS 1 and IAS 28 resulting from Annual Improvements 2014-2016 Cycle | 1 January 2018 |
| Amendments to IAS 40 clarifying transfers of property to, or from, investment property | 1 January 2018 |
| IFRIC 22 *Foreign Currency Transactions and Advance Consideration* | 1 January 2018 |
| IFRIC 23 *Uncertainty Over Income Tax Treatments* | 1 January 2019 |
| IFRS 17 *Insurance Contracts* | 1 January 2021 |

**IFRS 9 *Financial Instruments***

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

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

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

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

### 2.2 New and amended standards in issue but not yet effective (continued)

**IFRS 15 *Revenue from Contracts with Customers***

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

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

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

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

Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

**IFRS 16 *Leases***

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

## 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 2016. In addition, results for the nine-month period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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 2016, except for the adoption of new standards and interpretations effective 1 January 2017 and accounting policy on assets held for sale.

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 2017 (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 instruments

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

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

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

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

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

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

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 3 Summary of significant accounting policies (continued)

### 3.4 Financial instruments

*Financial assets at fair value through profit or loss*
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in statement of profit or loss as incurred.

Financial assets at FVPTL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

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

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

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

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

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

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 3 Summary of significant accounting policies (continued)

### 3.4 Financial instruments (continued)

*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.

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.

**Notes to the condensed consolidated financial statements**
**for the period ended 30 September 2017 (continued)**

## 3 Summary of significant accounting policies (continued)

### 3.4 Financial instruments (continued)

*Hedge accounting (continued)*

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.

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.

### 3.5 Impairment

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

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 3 Summary of significant accounting policies (continued)

### 3.5 Impairment (continued)

*Financial assets measured at amortised cost*

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

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

*Available-for-sale financial assets*

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

Objective evidence of impairment could include:

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

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

*Non-financial assets*

The carrying amounts of the Group's non-financial assets, excluding inventory, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. Property, plant and equipment and intangible assets with finite useful lives are assessed for indicators of impairment at each reporting period. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. An impairment loss is recognised in statement of profit or loss if the carrying amount of an asset exceeds its recoverable amount.

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 3 Summary of significant accounting policies (continued)

### 3.5 Impairment (continued)

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

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

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.6 Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 2016, except as disclosed below.

### 4.1 Critical judgments in applying accounting policies

The following are the critical accounting judgments, apart from involving key estimation (see note 4.2 below), that the Management have made during the period in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the condensed consolidated financial statements, in addition to those that were applied in the audited financial statements as at and for the year ended 31 December 2016.

*Classification of assets as held for sale*

In assessing whether non-current assets and disposal groups should be classified as assets held for sale, management has considered the detailed criteria as indicated in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Management determined that the carrying amount of these assets will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management is satisfied that the Group met these criteria and has accordingly reclassified its property, plant and equipment with a carrying amount of AED 86,899 thousand (31 December 2016: Nil).

*Classification of investments in securities*

Management designates at the time of acquisition of securities whether these should be classified as AFS, FVTPL or amortised cost. In judging whether investments in securities are as AFS, FVTPL or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IAS 39 *Financial Instruments*. Management is satisfied that its investment in securities are appropriately classified as in the condensed consolidated statement of financial position.

**Notes to the condensed consolidated financial statements**
**for the period ended 30 September 2017 (continued)**

## 4 Critical accounting judgments and key sources of estimation uncertainty (continued)

### 4.2 Key source of estimation uncertainty

The following is the key source of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, in addition to those that were applied in the audited financial statements as at and for the year ended 31 December 2016.

*Impairment of financial assets at AFS*

Management regularly reviews indicators of impairment for financial assets at AFS and considers whether there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged decline requires judgment. In making this judgment and to decide if an impairment loss adjustment is necessary, the Management evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows and pay out dividend capability of the investee.

In assessing the volatility in the share price, the Management also takes into consideration various aspects related to the market, including but not limited to, volume of trading over the past period, whether the listed price is a reflection of a distressed value driven by inactive or illiquid one way market, and the subsequent performance of the market after the end of the reporting period. Management also considers its intent and ability to hold the investment until its market price recovers. Impairment of financial assets at AFS at 30 September 2017 is AED 1,250 thousand (31 December 2016: AED 1,250 thousand).

## 5 Property, plant and equipment

| | AED'000 |
|---|---|
| **Cost** | |
| At 1 January 2016 (audited) | 3,290,780 |
| Additions | 153,299 |
| Disposals | (42,970) |
| Write off | (115,720) |
| At 1 January 2017 (audited) | 3,285,389 |
| Additions | 189,813 |
| Disposals | (14,804) |
| Transfer to asset classified as held for sale | (182,983) |
| **At 30 September 2017 (unaudited)** | **3,277,415** |
| **Accumulated depreciation** | |
| At 1 January 2016 (audited) | 2,026,691 |
| Charge for the year | 194,577 |
| Disposals | (40,547) |
| Write off | (13,689) |
| At 1 January 2017 (audited) | 2,167,032 |
| Charge for the period | 117,672 |
| Disposals | (13,743) |
| Transfer to asset classified as held for sale | (96,084) |
| **At 30 September 2017 (unaudited)** | **2,174,877** |
| **Carrying amount** | |
| **At 30 September 2017 (unaudited)** | **1,102,538** |
| At 31 December 2016 (audited) | 1,118,357 |

As at 30 September 2017, the Group transferred certain dredgers and marine equipment to assets classified as held for sale with a net book value of AED 86,899 thousand (31 December 2016: Nil), in accordance to the Group's fleet rationalisation plan.

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 6 Inventories

| | 30 September 2017 (unaudited) AED'000 | 31 December 2016 (audited) AED'000 (restated) |
|---|---|---|
| Spare parts and consumable stores | **246,732** | 254,221 |
| Raw materials | **825** | 1,756 |
| Finished goods | **1,386** | 2,270 |
| Less: allowance for slow moving and obsolete inventories | **(30,576)** | (30,576) |
| | **218,367** | 227,671 |

## 7 Trade and other receivables

| | 30 September 2017 (unaudited) AED'000 | 31 December 2016 (audited) AED'000 (restated) |
|---|---|---|
| Trade receivables | **666,626** | 305,871 |
| Less: allowance for impairment losses on trade receivables | **(50,640)** | (49,449) |
| | **615,986** | 256,422 |
| Retention receivables – current portion | **31,202** | 111,836 |
| Unbilled receivables (net of allowance) | **1,660,519** | 1,770,404 |
| Deposits and prepayments | **437,505** | 435,519 |
| Other receivables | **98,158** | 176,164 |
| | **2,843,370** | 2,750,345 |

Unbilled receivables include AED 741,250 thousand (31 December 2016: AED 885,293 thousand) receivables from Government of Abu Dhabi for which there are no signed contracts. Out of this balance, AED 113,305 thousand (31 December 2016: AED 314,839 thousand) has been recognised as revenue during the period. The balance of AED 741,950 thousand (31 December 2016: AED 885,293 thousand) includes amount of AED 587,961 thousand (31 December 2016: AED 570,454 thousand), net of allowance, outstanding for a period exceeding one year as at the reporting date. Unbilled receivables also include AED 957,755 thousand (31 December 2016: AED 919,417 thousand) on signed contracts from various customers, including amount from Government entities for AED 879,500 thousand (31 December 2016: AED 848,943 thousand). Out of the unbilled receivable balance of AED 957,755 thousand, AED 115,306 thousand (31 December 2016: AED 182,425 thousand) has been recognised as revenue during the period.

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 7 Trade and other receivables (continued)

In addition, prior to 2015, management has recognised revenue and unbilled receivables amounting to AED 600 million, out of a total proposed claims amounting to AED 1,306 million. The customer has acknowledged receiving the claim and mentioned that the claim is in advance stage of review. Further, a provisional acceptance certificate has been received from customer. During the reporting period, joint efforts with the customer continued with the aim to agree on a way forward to close out the claim.

The total allowance for impairment of unbilled receivables as at 30 September 2017 is AED 61.18 million (31 December 2016: AED 61.18 million).

## 8 Available-for-sale financial assets

| | **30 September 2017 (unaudited) AED'000** | 31 December 2016 (audited) AED'000 |
|---|---|---|
| At 1 January | **8,796** | 7,987 |
| Addition | **100,089** | - |
| Disposal | **(6,380)** | - |
| Change in fair value | **(28,561)** | 809 |
| | **73,944** | 8,796 |

On 8 June 2017, the Company purchased 100,084 thousand shares for AED 100,089 thousand from Arabtec Holdings PJSC ("Arabtec"), arising from the rights issue made by Arabtec of 1,500,000 thousand shares at AED 1 each in May 2017. Subsequent to the rights issue, Arabtec reduced its capital to AED 1,500,000 thousand thereby reducing the number of shares owned by the Company to 24,550,188 shares at AED 4.08 per share as at 30 September 2017. The fair value of these shares at 30 September 2017 was AED 2.88 per share, and accordingly, decline in fair value amounting to AED 29,460 thousand was recognised in other comprehensive income.

The fair value of the quoted UAE equity securities is based in quoted market prices at the end of the reporting period as per Level 1 valuation. The fair value of unquoted non-UAE securities has been arrived at based on the fair market value as per Level 3 valuation.

## 9 Financial assets at fair value through profit or loss

| | **30 September 2017 (unaudited) AED'000** | 31 December 2016 (audited) AED'000 |
|---|---|---|
| At 1 January | **28,713** | 25,616 |
| Fair value adjustments | **(3,928)** | 3,097 |
| | **24,785** | 28,713 |

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 9 Financial assets at fair value through profit or loss (continued)

The fair value of the quoted UAE equity securities is based in quoted market prices at the end of the reporting period as per Level 1 valuation. The fair value of unquoted non-UAE securities has been arrived at based on the fair market value as per Level 3 valuation.

## 10 Cash and cash equivalents

| | **30 September 2017 (unaudited) AED'000** | 31 December 2016 (audited) AED'000 |
|---|---|---|
| Cash in hand | **989** | 1,412 |
| Cash at banks | | |
| - Current accounts | **213,588** | 138,800 |
| - Short term deposits | **21,586** | 3,645 |
| | **236,163** | 143,857 |
| Less: bank overdraft | **(113,505)** | (6,634) |
| | **122,658** | 137,223 |

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

## 11 Advances from customers

Advances from customers amounting to AED 112,481 thousand (31 December 2016: AED 119,588 thousand) represent amounts received in advance from customers for certain projects which will be recovered during the course of the projects as per contractual terms.

## 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 2016: 250,000,000 shares). There are no potentially dilutive instruments therefore the basic and diluted earnings per share are the same.

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 13 Related party transactions

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

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:

**Transactions with key management personnel**

Compensation of key management personnel is as follows:

| | **9 month period ended 30 September** | | **3 month period ended 30 September** | |
|---|---|---|---|---|
| | **2017 (unaudited) AED'000** | 2016 (unaudited) AED'000 | **2017 (unaudited) AED'000** | 2016 (unaudited) AED'000 |
| Compensation of key management personnel | **3,482** | 4,099 | **1,164** | 1,501 |

*Other related party transactions*

Abu Dhabi Municipality ("the Municipality") initially granted the Company the right to use the land at the Company's base facilities in Musaffah free of charge. As of 2005, the Municipality charges annual fees for the use of the land. These fees are currently AED 1,799 thousand per annum.

The Group's revenue includes an amount of AED 640,917 thousand (30 September 2016: AED 389,735 thousand) earned from the Government of Abu Dhabi and its departments.

At the Annual General Meeting (AGM) held on 25 April 2017, the Shareholders approved a Board remuneration amounting to AED 5,667 thousand (2016: AED 11,000 thousand).

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 14 Provisions

| | 30 September 2017 (unaudited) AED'000 | 31 December 2016 (audited) AED'000 |
|---|---|---|
| Provision for liquidated damages | **16,894** | 17,192 |
| Provision for future losses | **5,123** | 161 |
| Provision for warranty | **7,981** | 8,102 |
| Other provisions | **14,544** | 15,211 |
| | **44,542** | 40,666 |

## 15 Trade and other payables

| | 30 September 2017 (unaudited) AED'000 | 31 December 2016 (audited) AED'000 |
|---|---|---|
| Trade payables | **142,073** | 113,012 |
| Due to joint operation | **384,323** | 384,236 |
| Accrued liabilities | **247,345** | 225,273 |
| Gross amount due to customer on construction contracts | **115,590** | 2,442 |
| Retentions payable | **17,111** | 14,527 |
| Other payables | **72,297** | 19,670 |
| | **978,739** | 759,160 |

## 16 Other income/(expenses), net

| | 9 month period ended 30 September | | 3 month period ended 30 September | |
|---|---|---|---|---|
| | **2017 (unaudited) AED'000** | 2016 (unaudited) AED'000 | **2017 (unaudited) AED'000** | 2016 (unaudited) AED'000 |
| Insurance claim | **-** | 8,227 | **(10,577)** | - |
| Gain on disposal of property, plant and equipment | **1,815** | 3,193 | **915** | 461 |
| Miscellaneous (expenses)/income | **1,217** | (365) | **13** | 332 |
| | **3,032** | 11,055 | **(9,649)** | 793 |

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 17 Finance income (costs), net

| | 9 month period ended 30 September | | 3 month period ended 30 September | |
|---|---|---|---|---|
| | **2017 (unaudited) AED'000** | 2016 (unaudited) AED'000 | **2017 (unaudited) AED'000** | 2016 (unaudited) AED'000 |
| Fair value (loss)/gain on financial assets at fair value through profit or loss | **(3,928)** | 4,494 | **(1,624)** | 597 |
| Gain on sale of available-for-sale investments | **4,329** | - | **-** | - |
| Interest (expense)/income, net | **(1,466)** | 441 | **(948)** | (692) |
| Dividend income | **923** | 877 | **-** | - |
| | **(142)** | 5,812 | **(2,572)** | (95) |

## 18 Dividends

At the Annual General Meeting (AGM) held on 25 April 2017, the Shareholders resolved to distribute cash dividends amounting to 15% of the Company's share capital, amounting to AED 37.5 million (2016: AED 125 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 38,712 thousand (30 September 2016: AED 125 million) were paid during the period.

## 19 Contingencies and commitments

| | **30 September 2017 (unaudited) AED'000** | 31 December 2016 (audited) AED'000 |
|---|---|---|
| Bank guarantees | **938,642** | 1,031,361 |
| Letters of credit | **64,491** | 200,586 |
| Capital commitments | **53,816** | 214,069 |

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

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 20 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 2017 and 2016.

## 21 Segment information

### Geographical segment information

During the period, the Group reassessed its segment information disclosure in consideration of the aggregation criteria as per IFRS 8 *Operating segments*. Based on this reassessment, 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. Accordingly, the comparative figures had been restated to conform with the current period presentation. The following table shows the Group's geographical segment analysis:

| | 30 September 2017 (unaudited) | | |
|---|---|---|---|
| | **UAE AED '000** | **International AED '000** | **Group AED '000** |
| Segment revenue | **628,953** | **481,007** | **1,109,960** |
| Intersegment revenue | **-** | **-** | **(108,774)** |
| Revenue | **628,953** | **481,007** | **1,001,186** |
| Segment gross profit | **47,531** | **52,115** | **99,299** |
| General and administrative expenses | | | **(62,255)** |
| Foreign currency exchange gain | | | **252** |
| Board remuneration and employee bonus | | | **(15,667)** |
| Reversal of liquidated damages | | | **-** |
| Net finance expense | | | **(142)** |
| Other income | | | **3,032** |
| Profit for the period | | | **24,519** |
| Total assets | **3,423,987** | **1,263,713** | **4,687,700** |
| Total liabilities | **965,525** | **405,515** | **1,371,040** |
| Equity | **2,733,123** | **583,537** | **3,316,660** |

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 21 Segment information (continued)

| | 30 September 2016 (unaudited) (restated) | | |
|---|---|---|---|
| | UAE AED'000 | International AED'000 | Group AED'000 |
| Segment revenue | 746,535 | 315,913 | 1,062,448 |
| Intersegment revenue | - | - | (89,074) |
| Revenue | 746,535 | 315,913 | 973,374 |
| Segment gross (loss)/profit | (34,076) | 103,594 | 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 future loss provisions | | | 16,951 |
| Other income | | | 11,055 |
| Profit for the period | | | 40,142 |
| | 31 December 2016 (audited) | | |
| Total assets | 3,540,155 | 845,858 | 4,386,013 |
| Total liabilities | 892,926 | 133,053 | 1,025,979 |
| Equity | 2,765,845 | 594,189 | 3,360,034 |

**Notes to the condensed consolidated financial statements for the period ended 30 September 2017 (continued)**

## 22 Restatement

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

*Condensed consolidated statement of financial position*

| | As previously reported AED '000 | Restatement AED '000 | As restated AED '000 |
|---|---|---|---|
| *31 December 2016* | | | |
| Inventories | 235,194 | (7,523) | **227,671** |
| Trade and other receivables | 2,742,822 | 7,523 | **2,750,345** |

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

## 23 Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by Board of Directors and authorised for issue on 12 NOV 2017.