ABU DHABI SHIP BUILDING PJSC

Review report and interim financial information for the period ended 30 June 2018

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Abu Dhabi Ship Building PJSC
Abu Dhabi, UAE

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Abu Dhabi Ship Building PJSC ("the Company") and its subsidiaries (together referred to as "the Group") as at 30 June 2018 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-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.

Conclusion

Based on our review, 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"*.

Deloitte & Touche (M.E.)

Signed by:
Mohammad Khamees Al Tah
Registration No. 717
14 August 2018
Abu Dhabi
United Arab Emirates

Condensed 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		289,066	286,952
Intangible assets		2,861	2,663
Advances to suppliers	6	21,767	24,107
Total non-current assets		313,694	313,722
Current assets			
Inventories	5	18,123	65,025
Contract assets	4	384,678	410,035
Trade and other receivables	6	344,894	342,482
Cash and bank balances		42,331	28,565
Total current assets		790,026	846,107
Total assets		1,103,720	1,159,829
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		211,992	211,992
Statutory reserve		88,718	88,718
Retained earnings		51,667	201,097
Equity attributable to owners of the Company		352,377	501,807
Non-controlling interests		(113)	(131)
Total equity		352,264	501,676
Non-current liabilities			
Provision for end of service benefits		27,481	27,421
Advances from customers	7	29,407	50,799
Other payables		-	85
Total non-current liabilities		56,888	78,305
Current liabilities			
Trade and other payables	8	359,095	379,355
Advances from customers	7	113,927	97,016
Bank borrowings	9	221,546	103,477
Total current liabilities		694,568	579,848
Total liabilities		751,456	658,153
Total equity and liabilities		1,103,720	1,159,829

Fahed Mohamed Al Muhairi
Board Member

Ali Hassan Ali Al Marzooqi
Managing Director

Jasem Mohamed AlMarzooqi
Finance and Business Support Director

Condensed consolidated statement of profit or loss for the period ended 30 June 2018

	Notes	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
Contract revenue		**119,782**	213,382	**261,550**	385,841
Contract costs		**(86,287)**	(134,400)	**(187,212)**	(259,017)
Gross profit		**33,495**	78,982	**74,338**	126,824
General and administrative expenses		**(35,364)**	(42,653)	**(70,006)**	(78,253)
Depreciation and amortisation		**(5,413)**	(5,689)	**(10,611)**	(11,802)
Share of loss in a joint venture		**-**	(41)	**-**	(91)
Finance costs		**(1,931)**	(10)	**(3,053)**	(70)
Other income	**11**	**9**	551	**9,628**	2,124
(Loss)/Profit before gain on exchange		**(9,204)**	31,140	**296**	38,732
Gain on exchange		**344**	8,900	**3,370**	10,733
(Loss)/Profit for the period		**(8,860)**	40,040	**3,666**	49,465
(Loss)/Profit attributable to:					
Owners of the Company		**(8,865)**	39,391	**3,641**	48,623
Non-controlling interests		**5**	649	**25**	842
		(8,860)	40,040	**3,666**	49,465
Basic and diluted (loss)/earnings per share (fils)	**10**	**(4.2)**	18.6	**1.7**	22.9

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

Condensed consolidated statement of comprehensive income for the period ended 30 June 2018

	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
(Loss)/Profit for the period	**(8,860)**	40,040	**3,666**	49,465
Other comprehensive income:				
Discontinued hedging losses reclassified to profit or loss	-	-	-	2,442
Total comprehensive (loss)/income for the period	**(8,860)**	40,040	3,666	51,907
Total comprehensive (loss)/income attributable to:				
Owners of the Company	**(8,865)**	39,391	3,641	51,065
Non-controlling interests	**5**	649	25	842
	(8,860)	40,040	3,666	51,907

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

Condensed consolidated statement of changes in equity for the period ended 30 June 2018

	Share capital AED '000	Statutory reserve AED '000	Hedging reserve AED '000	Retained earnings AED '000	Equity attributable to owners of the Company AED '000	Non-controlling interests AED '000	Total AED '000
Balance at 1 January 2017 (audited)	211,992	78,360	(2,442)	124,817	412,727	10,921	423,648
Profit during the period	-	-	-	48,623	48,623	842	49,465
Other comprehensive income	-	-	2,442	-	2,442	-	2,442
Dividends declared (Note 16)	-	-	-	(21,199)	(21,199)	-	(21,199)
Balance at 30 June 2017 (unaudited)	**211,992**	**78,360**	-	**152,241**	**442,593**	**11,763**	**454,356**
Balance at 1 January 2018 (audited)	211,992	88,718	-	201,097	501,807	(131)	501,676
Prior period error (Note 17)	-	-	-	(62,434)	(62,434)	-	(62,434)
Adjustment on adoption of IFRS 15 (Note 2.1)	-	-	-	(33,236)	(33,236)	(7)	(33,243)
Adjustment on adoption of IFRS 9 (Note 2.1)	-	-	-	(25,602)	(25,602)	-	(25,602)
Profit during the period	-	-	-	3,641	3,641	25	3,666
Dividends declared (Note 16)	-	-	-	(31,799)	(31,799)	-	(31,799)
Balance at 30 June 2018 (unaudited)	**211,992**	**88,718**	-	**51,667**	**352,377**	**(113)**	**352,264**

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

Condensed consolidated statement of cash flows for the period ended 30 June 2018

	6 months ended 30 June	
	2018 (unaudited) AED '000	2017 (unaudited) AED '000
Operating activities		
Profit for the period	**3,666**	49,465
Adjustments for:		
Depreciation and amortisation	**10,611**	11,802
End of service benefit charge	**2,868**	2,944
Finance costs, net	**3,053**	70
Recovery of receivables, net	**(8,672)**	-
Impairment of contract assets	**669**	-
Recycling of hedges to profit or loss	-	2,442
Gain on disposal of property, plant and equipment	-	(228)
Share of loss in a joint venture	-	91
	12,195	66,586
Movements in working capital:		
Inventories	**2,083**	30,652
Contract assets	**(69,182)**	79,109
Trade and other receivables and advances to suppliers	**2,421**	(13,803)
Trade and other payables	**3,329**	(104,908)
Other payables	**(85)**	(107)
Advances from customers	**(4,481)**	(50,457)
Cash (used in)/generated from operating activities	**(53,720)**	7,072
End of service benefits paid	**(2,808)**	(1,358)
Net cash (used in)/generated from operating activities	**(56,528)**	5,714
Investing activities		
Payments for property, plant and equipment	**(12,399)**	(7,648)
Purchase of intangible assets	**(524)**	-
Proceeds from disposal of property, plant and equipment	-	228
Net cash used in investing activities	**(12,923)**	(7,420)
Financing activities		
Movement in bank overdrafts	**118,069**	-
Finance costs paid	**(3,053)**	(70)
Dividends paid	**(31,799)**	(21,806)
Net cash generated from/(used in) financing activities	**83,217**	(21,876)
Net increase/(decrease) in cash and cash equivalents	**13,766**	(23,582)
Cash and cash equivalents at beginning of the period	**28,565**	103,999
Cash and cash equivalents at end of the period	**42,331**	80,417

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 June 2018

1 General information

Abu Dhabi Ship Building PJSC ("the Company") was established by Emiri Decree No. 5 of 1995 on 12 July 1995. The Company's registered office address is P.O. Box 8922, Abu Dhabi, United Arab Emirates.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company and its subsidiaries (together referred to as "the Group") are engaged primarily in the construction, maintenance, repair and overhaul of commercial and military ships and vessels.

The Group has not purchased or invested in any shares during the period ended 30 June 2018.

The principal activities, country of incorporation and operation, and ownership interest of the Company in the subsidiaries are set out below:

Name of subsidiary	Ownership interest	Beneficial interest	Country of incorporation	Principal activity
Abu Dhabi Systems Integration LLC ("ADSI")	100%	100%	UAE	Import and commissioning of integrated electronic systems and computer programs
Gulf Logistics and Naval Support LLC ("GLNS")	100%	100%	UAE	Provision of naval support services
Safwa Marine L.L.C.	100%	100%	UAE	Trading of ships and boats
ADSB Investments Limited	100%	100%	UAE	Holding of investments
Frontiers Industrial Investment LLC	99%	99%	UAE	System integration and technology development and implementation
High Speed Craft Company LLC	100%	100%	UAE	Marine machine and equipment repairing and maintenance

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2018 (continued)

IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* were applied for the first time as of January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e.1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The adoption of IFRS 15 has led to the following effects:

Changes in timing and measurement of revenue

- For naval ship building contracts, where certain contracts have been entered into separately with an individual customer for the provision of goods and services, these contracts have been combined and accounted for in accordance with IFRS 15. These contracts were previously accounted for separately under IAS 11.
- For naval ship building construction contracts, the group has decided to recognize revenue over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Group considers that the input method is an appropriate measure of progress towards complete satisfaction of these performance obligations under IFRS 15.
- For certain small boat construction contracts, as the Group does not have an enforceable right to receive payment for work done as construction progresses, revenue will be recognized when control of the goods has been transferred to the customer, being the point in time of delivery.

Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying accounting policies

The following are the critical judgements and estimates in applying accounting policies that the Group has made in the process of applying IFRS 15 *Revenue from Contracts with Customers* and that have the most significant effect on the amounts disclosed in the consolidated financial statements:

Identification if group of contracts are linked

A judgement is required when assessing a group of contracts with the same customer to identify linkage between the contracts. The Group is required to understand the relation between the contracts in the context of promise made to the customer, the performance obligations under each contract and whether they are distinct within the context of promise to the customer and dependence of price of one contract over another. This judgement is mainly required for naval ship building revenue stream where combined contracts have been identified.

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2018 (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies (continued)

Determination of a performance obligation if distinct in the context of the promise to the customer

The Group is required to form a judgement for each performance obligation as to whether it is distinct from other performance obligations in the context of the promise to the customer. The approach explained in step 2 is required to be followed and nature of the performance obligation needs to be understood along with its transformative relationship with other performance obligations in the context of the contract. The Group is required to exercise this judgement mainly for naval ship building and services revenue streams.

Determination of standalone selling price for distinct performance obligations

In order to determine standalone selling prices for distinct performance obligations that are not readily available, judgement will be required to determine the appropriate method of estimation, i.e. market adjustment, expected cost plus margin or residual. Further, following judgements are required for each of the approach determined to be appropriate by the Group:

- Market adjustment approach – available market prices for similar goods or services will have to be adjusted considering the scale and nature of service, degree of customisation for the customer and other relevant factors to determine the standalone price of the service.
- Expected cost plus margin – judgement will be required to determine the appropriate margin for the distinct good or service where that good or service is provided to a customer independently.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period in relation to IFRS 15, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Application of reversal constraint to variable consideration

The Group is required to form its judgements around the expected probabilities for each possible outcome effecting the variable consideration of a contract. Judgement will be formed based on Group's past experience for similar projects/customers as well as current circumstances affecting each possible outcome such as availability of resources, knowledge and expertise, timelines, degree of control etc.

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2018 (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings and NCI at 1 January 2018.

	At 1 January 2018 AED'000
Retained Earnings	
Naval Ship Building	(30,330)
Services	(2,906)
	(33,236)
Non-controlling interests	
Naval Ship Building	-
Services	(7)
	(7)

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2018 (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The following tables summarise the impacts of adopting IFRS 15 on the Group's interim statement of financial position as at 30 June 2018 and its interim statement of profit or loss and OCI for the six months then ended for each of the line items affected. There was no material impact on the Group's interim statement of cash flows for the six month period ended 30 June 2018.

Impact on the condensed interim consolidated statement of financial position

	As reported AED '000 (unaudited)	Adjustments AED '000 (unaudited)	Amounts without adoption of IFRS 15 AED '000 (unaudited)
ASSETS			
Total non-current assets	**313,694**	-	**313,694**
Current assets			
Inventories	**18,123**	**21,556**	**39,679**
Contract assets	**384,678**	**67,881**	**452,559**
Trade and other receivables	**344,894**	**(3,265)**	**341,629**
Cash and bank balances	**42,331**	-	**42,331**
Total current assets	**790,026**	**86,172**	**876,198**
Total assets	**1,103,720**	**86,172**	**1,189,892**
EQUITY AND LIABILITIES			
Capital and reserves	**300,710**	-	**300,710**
Retained earnings	**51,667**	**34,118**	**85,785**
Equity attributable to owners of the Company	**352,377**	**34,118**	**386,495**
Non-controlling interests	**(113)**	**7**	**(106)**
Total equity	**352,264**	**34,125**	**386,389**
Total non-current liabilities	**56,888**	-	**56,888**
Current liabilities			
Trade and other payables	**359,095**	**52,047**	**411,142**
Advances from customers	**113,927**	-	**113,927**
Bank borrowings	**221,546**	-	**221,546**
Total current liabilities	**694,568**	**52,047**	**746,615**
Total liabilities	**751,456**	**52,047**	**803,503**
Total equity and liabilities	**1,103,720**	**86,172**	**1,189,892**

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2018 (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Impact on the condensed interim consolidated statement of profit or loss and OCI

	As reported (unaudited) AED '000	Adjustments (unaudited) AED '000	Amounts without adoption of IFRS 15 (unaudited) AED '000
Contract revenue	**261,550**	**(8,719)**	252,831
Contract costs	**(187,212)**	**9,601**	(177,611)
Gross profit	**74,338**	**882**	75,220
General and administrative expenses	**(70,006)**	-	(70,006)
Depreciation and amortization	**(10,611)**	-	(10,611)
Share of loss from a joint venture	-	-	-
Finance costs, net	**(3,053)**	-	(3,053)
Other income	**9,628**	-	9,628
Profit before gain on exchange	**296**	**882**	1,178
Gain on exchange	**3,370**	-	3,370
Profit for the period	**3,666**	**882**	4,548
Total other comprehensive income	**3,666**	**882**	4,548

IFRS 9 Financial Instruments

Effective 1 January 2018, the Group has adopted IFRS 9 (2014) *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

All financial assets and financial liabilities of the Group continues to be classified and measured on the same bases as is currently adopted under IAS 39.

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2018 (continued)

IFRS 9 Financial Instruments (continued)

As at 1 January 2018, the Directors of the Group reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 January 2018. The result of the assessment is as follows:

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

	Impairment allowance under IAS 39 AED'000	Remeasurements AED'000	Impairment allowance under IFRS 9 AED'000
Contract assets	**23,107**	**16,158**	**39,265**
Trade and other receivables	**12,844**	**9,444**	**22,288**

In the current period, the Group has also applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2018. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

- Conceptual Framework for Financial Reporting 2018
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards deleting short-term exemptions for first-time adopters
- Amendments to IFRS 2 Amendments to IFRS 2 Share-based Payment Transactions clarifying the classification and measurement of share-based payment transactions
- Amendments to IFRS 4 Insurance Contracts applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9
- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

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

2. 2 Standards and Interpretations in issue but not yet effective

IFRS 9 Financial Instruments (continued)

- Amendments to IAS 40 Investment Properties clarifying transfers or property to, or from, investment property
- Annual Improvements to IFRSs 2014–2016 Cycle to remove short-term exemptions and clarifying certain fair value measurements
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 28 Investments in Associates and Joint Ventures providing clarification on measuring investees at fair value through profit or loss is an investment-by-investment choice

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2018.

The Group has not early adopted new and revised IFRSs that have been issued but are not yet effective.

New standards and significant amendments to standards applicable to the Group:	**Effective for annual periods beginning on or after**
IFRS 16 Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
IFRS 17 Insurance Contracts requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	1 January 2021
Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

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

2. 2 Standards and Interpretations in issue but not yet effective (continued)

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
IFRIC 23 Uncertainty over Income Tax Treatments: The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: - whether tax treatments should be considered collectively; - assumptions for taxation authorities' examinations; - the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and - the effect of changes in facts and circumstances.	1 January 2019
Amendments in IFRS 9 Financial Instruments relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
Amendment to IAS 19 Employee Benefits: The Amendments clarify that: - on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and - the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).	1 January 2019
Amendments in IAS 28 Investments in Associates and Joint Ventures relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	1 January 2020

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

2. 2 Standards and Interpretations in issue but not yet effective (continued)

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
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. Adoption is still permitted.

Management anticipates that these IFRSs and amendments will be adopted in the condensed consolidated interim financial information in the initial period when they become mandatorily effective. The impact of these standards and amendments are currently being assessed by the management.

3 Summary of significant accounting policies

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.

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 2017. In addition, results for the six-month ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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 2017, except for the adoption of new standards and interpretations effective 1 January 2018.

3 Summary of significant accounting policies

Interests 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 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 and carried in the condensed 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 joint venture, less dividends received and less any impairment in the value of individual investments. The Group's share in the joint venture's results is recorded in the condensed consolidated statement of profit or loss.

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 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.

IFRS 15 Revenue from Contracts with Customers

Effective 1 January 2018, the Group applies for the first time IFRS 15 *Revenue from Contracts with Customers* and IFRS *9 Financial Instruments*. As required by IAS 34, the nature and effect of these changes are disclosed below.

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 *Revenue from Contracts with Customers* is that the Group 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:

- Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.
- Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.

3 Summary of significant accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

- Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.
- Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15 *Revenue from Contracts with Customers*, Group will recognize revenue 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.

Management has used the modified retrospective adoption allowed in IFRS 15 *Revenue from Contracts with Customers* and recognised the cumulative effect of revenue recognition as an adjustment to the opening balance of retained earnings in the statement of financial position as at 31 December 2017. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 *Revenue* and IAS 11 *Construction Contracts*. The details of significant changes and the quantitative impact of the changes are provided in note 2.1. When using the modified transition approach, the Group applied IFRS 15 *Revenue from Contracts with Customers* retrospectively only to contracts that are not completed contracts at the date of initial application i.e., 1 January 2018. As a result, the Group has changed its accounting policy for revenue recognition as detailed below:

Constructions contracts

Management has assessed the construction contracts and considered IFRS 15's guidance on contract combinations, contract modifications arising from variation orders, variable consideration, and the assessment of whether there is a significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of goods and services to the customer and the timing of the related payments.

The Group primarily has two types of construction contracts: (1) naval ship building and (2) small boats construction.

Management has assessed that revenue from the naval ship building construction contracts should be recognised over time based on the criteria that the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance obligation completed to date. The Group becomes entitled to invoice customers for construction contracts based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work and an invoice for the related milestone payment. The Group will recognise a 'contract asset' for any work performed.

3 Summary of significant accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The Group decided to select the input method used to measure the progress towards complete satisfaction of these performance obligations under IFRS 15 *Revenue from Contracts with Customers*. The complete satisfaction of the performance obligation is determined based on the proportion of contract costs incurred for work performed up to the end of the reporting period relative to the estimated total contract costs. The contract costs recognised at the end of the reporting period is equal to the actual costs incurred to date with the corresponding revenue and margin recognised in proportion to the work completed.

For certain small boat construction contracts, when the Group does not have an enforceable right to receive payment for work done as construction progresses, revenue is recognized when control of the goods has been transferred to the customer, being the point in time of delivery.

Contract modifications are accounted as a separate contract when the scope of the contract increases because of the additions of promised goods or services that are distinct and the price of the contract increases by an amount of consideration that reflects the Group's stand-alone selling process of the additional promised goods or services and any appropriate adjustments to that price to reflects the circumstances of the particular contract.

Contract liabilities represents the obligation to transfer goods or services to a customer for which consideration has been received from the customer. Contract assets represents the right to consideration in exchange for goods or services that have been transferred to a customer.

An asset is recognised for the costs incurred to fulfil a contract only if those costs are directly related to a contract, the costs generate or enhance resources of the Group that will be used in satisfying a performance obligation in the future and the costs are expected to be recovered. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. The Group assessed contract assets for impairment in accordance with IFRS 9 *Financial Instruments*.

Services

Revenues from services are considered as distinct on the basis of below:

- The customer benefits from the service on its own or together with other resources that are readily available to the customer;
- The Group's promise to transfer the services to the customer is separately identifiable.

Management has assessed that revenue from these contracts relating to services should be recognised over time since the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group considered the best measure of progress towards complete satisfaction of the performance obligation over time is a cost-based input method and it recognises revenue on this basis. In case of variable efforts or inputs, the performance obligation is measured at the cost plus margin.

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

3 Summary of significant accounting policies (continued)

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 and addresses the accounting for financial instruments including hedge accounting. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVTOCI and FVTPL. IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. IFRS 9 eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables, and available-for-sale. Under IFRS 9, derivative embedded contracts where the host is a financial asset in the scope of IFRS 9 are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. The requirements for classification and measurement of financial liabilities under IFRS 9 largely carry forward existing requirements in IAS 39. As disclosed in note 2.1, all financial assets and financial liabilities of the Group continues to be measured on the same bases as is currently adopted under IAS 39.

IFRS 9 replaces the "incurred loss" model under IAS 39 with an "expected credit loss" model as it relates to the impairment of financial assets. The new impairment model does not apply to equity investments.

IFRS 9 amends the requirements for hedge effectiveness and consequently the application of hedge accounting. The IAS 39 effectiveness test is replaced with a requirement for an economic relationship between the hedged item and the hedging instrument, and for the "hedged ratio" to be the same as that used by the Group for risk management purposes. The new standard requires alignment between the risk management objective of an individual hedging relationship and the risk management strategy of the Group. When assessing hedge effectiveness under IFRS 9, the Group is required to ensure credit risk due to counterparty or own creditworthiness does not dominate the change in fair value of either the hedged item or hedging instrument. Generally, the mechanics of hedge accounting remain unchanged.

Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all trade receivables, contract assets and cash at banks not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for its trade receivables. Further, the Group applies general approach for all other financial assets carried at amortized cost.

The Group recognises a loss allowance for expected credit losses on financial assets. No impairment loss is recognised for investments in equity instruments which are carried at FVTPL. The amount of expected credit losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

3 Summary of significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument (e.g. a significant increase in the credit spread);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

3 Summary of significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

Thc Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3 Summary of significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of financial assets at amortised cost, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default for financial assets is represented by the assets' gross carrying amount at the reporting date. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals, if applicable; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4 Contract assets

	30 June 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
Value of work executed	**8,632,853**	8,452,985
Progress billings received and receivable	**(8,279,559)**	(8,094,544)
As at end of the period/year	**353,294**	358,441

The contract assets is presented as follows:

	30 June 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
Contract assets	**384,678**	410,035
Contract liabilities (Note 8)	**(31,384)**	(51,594)
As at end of the period/year	**353,294**	358,441

Contract assets as at 30 June 2018 is stated net of provision for impairment of AED 36,453 thousand (31 December 2017: AED 23,107 thousand). The movements on the provision are as follows:

	30 June 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
At 1 January	**23,107**	37,812
Adjustment on adoption of IFRS 9	**16,158**	-
Provision for impairment during the period/year	**669**	3,152
Transfer of provision to trade receivables	-	(9,005)
Write off of provision	**(3,481)**	(8,852)
As at end of the period/year	**36,453**	23,107

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

5 Inventories

	30 June 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
Goods for sale	**3,128**	3,128
Work in progress (at cost)	**5,652**	53,968
Raw materials and consumables	**25,047**	23,600
	33,827	80,696
Less: provision for obsolete and slow moving items	**(15,704)**	(15,671)
	18,123	65,025

The movement of the provision for obsolete and slow moving items are as follows:

	30 June 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
At 1 January	**15,671**	20,049
Additions	**33**	1,629
Reversals	-	(194)
Write-down/write-off	-	(5,813)
As at end of the period/year	**15,704**	15,671

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

6 Trade and other receivables

	30 June 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
Trade receivables	**319,069**	309,049
Less: Provision for impairment	**(11,718)**	(12,844)
	307,351	296,205
Advances paid to suppliers	**48,776**	59,546
Prepayments and other receivables	**10,534**	10,838
	366,661	366,589
Less: non-current portion of advances paid to suppliers	**(21,767)**	(24,107)
	344,894	342,482

The movement in the allowance for doubtful debts during the period/year was as follows:

	30 June 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
At 1 January	**12,844**	3,839
Adjustment on adoption of IFRS 9	**9,444**	-
Provision for impairment during the period/year	**399**	9,005
Recoveries (Note 11)	**(9,071)**	-
Write-offs	**(170)**	-
Reversal	**(1,728)**	-
As at end of the period/year	**11,718**	12,844

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

7 Advances from customers

	30 June 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
Advances from customers	**143,334**	147,815
Less: current portion	**(113,927)**	(97,016)
	29,407	50,799

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

8 Trade and other payables

	30 June 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
Trade payables	**76,837**	49,373
Project accruals	**160,824**	131,992
Provision for onerous contract	**-**	45,501
Other liabilities	**88,448**	99,813
Contract liabilities (Note 4)	**31,384**	51,594
Other payables	**1,602**	1,082
	359,095	379,355

The movement in the provision for onerous contracts is as follows:

	30 June 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
At 1 January	**45,501**	58,795
Utilised during the period/year	**-**	(13,294)
Reversal*	**(45,501)**	-
At the end of the period/year	**-**	45,501

*Reversal relates to the adjustment as a result of IFRS 15 implementation. The contract was identified as a contract with a customer under IFRS 15 and has been accounted for accordingly in line with applicable accounting policies.

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

9 Bank borrowings

The bank borrowings consist of the following:

	30 June 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
Bank overdrafts	**221,546**	103,477

The overdraft facilities were obtained from several commercial banks and carry interest at prevailing market rates.

As at 30 June 2018, the Group has AED 221 million (31 December 2017: AED 250 million) as available undrawn overdraft facilities.

10 Basic and diluted earnings per share

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

Diluted earnings per share is calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive instruments.

The following reflects the earnings and share data used in the basic earnings per share computations:

	3 months ended 30 June		6 months ended 30 June	
	2018 (unaudited)	2017 (unaudited)	**2018 (unaudited)**	2017 (unaudited)
(Loss)/Profit for the period attributable to equity holders of the parent (AED'000)	**(8,865)**	39,391	**3,641**	48,623
Weighted average number of ordinary shares issued ('000)	**211,992**	211,992	**211,992**	211,992
Basic and diluted (loss)/earnings per share (fils)	**(4.2)**	18.6	**1.7**	22.9

As of 30 June 2018, the Group has not issued any instruments which would have a diluted impact on earnings per share when converted or exercised. Hence, the basic and diluted earnings per share are identical.

11 Other income

Other income mainly represents an amount of AED 9,071 thousand recovered from a customer which was fully provided for in the prior period (Note 6).

Notes to the condensed consolidated financial statements
for the period ended 30 June 2018 (continued)

12 Related party transactions

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

The remuneration of directors and other members of key management during the period was as follows:

	6 months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	AED'000	AED'000
Key management compensation:		
Salaries, bonuses and other benefits	**6,825**	7,030
Post-employment benefits	**71**	57
	6,896	7,087
Director's remuneration	**1,000**	1,000

13 Contingencies and capital commitments

Contingent liabilities

The Group's bankers have issued, in the normal course of business, letters of guarantee, performance bond and letters of credit limited to AED 1,273 million (31 December 2017: AED 1,520 million) in respect of contract performance and advances in connection with the contracts for shipbuilding and overhaul in progress at the period end.

Capital commitments

The authorised capital expenditure contracted at the end of the reporting period but not provided for is AED 5 million (31 December 2017: AED 16 million).

14 Segment information

The Group has internal management reporting and budgeting based on two reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the management reviews internal reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

- Ship building, includes construction of vessels and combat systems integration which includes import and commissioning of integrated systems and computer programs
- Services, includes upgrades, maintenance, repairs and overhaul (MRO) of military and commercial vessels, and integrated support services

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

14 Segment information (continued)

Information regarding the results of each reportable segment is included below. Performance is measured on segment profit as included in the internal management reports that are reviewed by the Board of Directors.

Segment information about the Group's operations for the six-month ended 30 June 2018 and 2017 is presented below:

	Ship Building AED'000	Services AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
6 months ended 30 June 2018 (unaudited)					
Contract revenue	**73,470**	**189,564**	-	**(1,484)**	**261,550**
Contract costs	**(56,591)**	**(132,105)**	-	**1,484**	**(187,212)**
Gross profit	**16,879**	**57,459**	-	-	**74,338**
General and administrative expenses	**(13,364)**	**(38,056)**	**(18,586)**	-	**(70,006)**
Depreciation and amortisation	**(2,275)**	**(4,253)**	**(4,083)**	-	**(10,611)**
Finance costs, net	**(1)**	**(26)**	**(3,026)**	-	**(3,053)**
Other income	-	**9,071**	**557**	-	**9,628**
Gain on exchange	-	-	**3,370**	-	**3,370**
Segment profit/(loss)	**1,239**	**24,195**	**(21,768)**	-	**3,666**
6 months ended 30 June 2017 (unaudited)					
Contract revenue	184,834	211,556	-	(10,549)	385,841
Contract costs	(121,754)	(147,812)	-	10,549	(259,017)
Gross profit	63,080	63,744	-	-	126,824
General and administrative expenses	(11,230)	(41,395)	(25,628)	-	(78,253)
Depreciation and amortisation	(939)	(9,532)	(1,331)	-	(11,802)
Share of loss in a joint venture	-	-	(91)	-	(91)
Finance costs, net	(4)	(60)	(6)	-	(70)
Other income	-	-	2,124	-	2,124
Gain on exchange	-	-	10,733	-	10,733
Segment profit/(loss)	50,907	12,757	(14,199)	-	49,465

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

14 Segment information (continued)

Certain reallocations were made with respect to segment information for the Group's operations for the six-month ended 30 June 2018 and accordingly, the six-month ended 30 June 2017 numbers were adjusted to more appropriately reflect the operating profit per segment based on activity based costing.

The segment assets, liabilities and capital expenditure as at 30 June 2018 and 31 December 2017 are as follows:

	Ship Building AED'000	Services AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
As at 30 June 2018 (unaudited)					
Assets	**339,736**	**618,925**	**251,218**	**(106,159)**	**1,103,720**
Liabilities	**330,106**	**182,765**	**335,859**	**(97,274)**	**751,456**
Capital expenditure	**2,771**	**5,179**	**4,973**	**-**	**12,923**
As at 31 December 2017 (audited)					
Assets	507,511	469,141	297,994	(114,817)	1,159,829
Liabilities	407,016	134,308	222,661	(105,832)	658,153
Capital expenditure	966	3,044	6,363	-	10,373

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3.

15 Seasonality of results

No significant income of a seasonal nature was recorded in the condensed consolidated statement of profit or loss for the six-month period ended 30 June 2018 and 2017.

16 Dividends

On 15 March 2018, the Shareholders approved during the Annual General Meeting the distribution of 15% cash dividends amounting to AED 31.8 million.

Notes to the condensed consolidated financial statements for the period ended 30 June 2018 (continued)

17 Prior period error

During the six month period ended 30 June 2018, a prior period error was identified relating to the under accrual of contract costs for a long term project which commenced in prior periods. This error has resulted in an understatement of contract costs and project accruals amounting to AED 62 million.

In accordance with the requirements of IAS 1 "*Presentation of Financial Statements*" and IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*", the Group is required to correct the prior period error retrospectively by restating the comparative amounts for the prior periods presented in which the error occurred, however, it is impracticable to determine the period-specific effects of the prior period error and accordingly the exemption allowed in IAS 8 has been adopted and the Group has restated the respective accounts for the earliest period for which retrospective restatement is practicable, which is 1 January 2018. As a result, the amounts reflected in the Consolidated statement of financial positon and the statement of profit or loss and other comprehensive income are not necessarily comparable to the financial information presented in the previous period.

18 Investment in Abraaj Holding

During the period and as at 30 June 2018, the Group was not involved in any transaction or had any business relationships with Abraaj Group or its affiliates.

19 Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by management and authorised for issue on 14 August 2018.