



شركة الجرافات  
البحرية الوطنية  
**NMDC**



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# SUSTAINABLE DEVELOPMENT ACROSS OCEANS **MIDDLE EAST AND BEYOND**

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INTEGRATED ANNUAL REPORT  
**2020**

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GHASHA غشا

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IWC

BSORMEC



His Highness Sheikh Khalifa bin Zayed Al Nahyan

President of the United Arab Emirates



**His Highness Sheikh Mohamed bin Zayed Al Nahyan**  
Crown Prince of Abu Dhabi, and Deputy Supreme Commander of the UAE  
Armed Forces, Chairman of the Executive Council



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شركة الجرافات  
البحرية الوطنية  
NATIONAL MARINE  
DREDGING COMPANY





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# ANNUAL REPORT

## 2020







شركة الجرافات  
البحرية الوطنية  
**NMDC**

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# Board of Directors' Report

31 DECEMBER 2020



# Chairman's Message



## H.E. Mohamed Thani Murshed Al Rumaithi

Chairman NMDC

Since its inception in 1976, The National Marine Dredging Company (NMDC) has been a key player contributing to the development of Abu Dhabi.



I am pleased to meet you and present the Annual Report of National Marine Dredging Company (the “Group”) for the year ended 31st December 2020. The report includes a summary of the Group’s performance, its financial statements and the Auditor’s Report thereon.

At the outset, I extend my complete faithfulness to, and utmost appreciation of, the President His Highness Sheikh Khalifa Bin Zayed Al Nahyan and His Highness Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, for their infinite support for National companies in general and your Group in particular. ”

# Board of Directors



**H.E. Mohamed Thani  
Murshed Al Rumaithi**

Chairman



**H.E. Khalifa Mohamed Abdul  
Aziz Rubaya Al Muhairi**

Vice Chairman



**H.E. Mohamed Ahmed  
Bandouq Al Qamzi**

Member



**H.E. Dr. Mohamed Rashed  
Ahmed Khalaf Alhameli**

Member



**H.E. Rubaya Mohamed Abdul  
Aziz Rubaya Al Muhairi**

Member



**H.E. Abdul Ghaffar Abdul  
Khaleq Al Khouri**

Member



**H.E. Dagher Almarar**

Member



**H.E. Mohamed Rashed  
Mubarak Al Ketbi**

Member



**H.E. Majed Ahmed Omar  
Salem Alkarbi**

Member



**Eng. Yasser Nasr Zaghloul**

CEO

# Overview

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Financial year 2020 was another good year for NMDC, with increased revenues and operating profit. This was despite the negative impact that the COVID-19 pandemic had on the Group's operations, particularly due to the lengthy travel restrictions and quarantine procedures that were imposed.

Indeed, it was a challenging year globally considering the pandemic situation, with lock downs and other restrictions imposed in various parts of the globe. NMDC was, however, resilient to these challenges.

With the continuation of COVID-19 impact on economies, the near future outlook remains truly uncertain. Prospects for an exit from the pandemic has improved with the availability of the vaccines during early 2021, but with renewed virus outbreaks and new variants surfacing frequently, it is still too early to assess the response of the global economies towards these unprecedented challenges.

Global GDP growth is projected at around 4% in 2021 and 2022, after having declined to -4.2% this year. The Future Market Insights report on the global dredging market states that the global dredging market is expected to grow modestly, expanding at approximately 4% through 2030, attributed to stagnation induced by the COVID-19 pandemic.

The International Monetary Fund article (policy paper no. 2020/065) issued in December 2020 on economic prospects and policy challenges for the GCC countries, says "the GCC countries face a double impact from the corona virus and lower oil prices. GCC authorities have implemented a range of appropriate measures to mitigate the economic damage, including fiscal packages, relaxation of monetary and macroprudential rules, and the injection of liquidity into the banking system, and there are recent signs of improvement. Low oil prices have caused a sharp deterioration of external and fiscal balance, and fiscal strains are evident in countries with higher debt levels".

More recently, the Governor of UAE Central Bank has said that figures presented by UAE financial institutions as of the end of 2020 were encouraging and showed the resilience of the banking sector, with lenders posting slight increases in gross assets, deposits and lending. He went on to say that he expects to see a strong return to GDP growth in 2021 as the government continues to diversify the economy, provide strong infrastructure spending and encourage private investment both as a measure of growth and private employment. In December, the Central Bank forecast that the UAE economy will grow 2.5% in 2021. The Governor said the good news was that most predictions for 2021 are optimistic and signal a return to growth throughout the year. "Economic activity, although subdued, was recovering, based on the December Google Covid-19 Community Mobility Report", he noted. He said consumer confidence returned to normal in December as employment rate rose. The recovery was also validated by the rise in various indicators such as the Purchasing Managers Index (PMI). The UAE has rolled out an aggressive inoculation program and aims to vaccinate 50% of its 10 million population by the end of March. "The rapid pace of vaccination is a great comfort," the Governor said.

To conclude, despite major factors and predictions that indicate a slowdown in global economic activity, upside potential exists when countries continue efforts in containing the virus and increase number of vaccinated individuals. Economic activity will then start recovering, though everyone agrees that a full recovery is still quite a long way away.

# 34%

REVENUE  
INCREASE IN  
2020



## 2020



## 2019



## Financial Performance

For NMDC, 2020 was a year with pleasing highlights in a challenging market. Your Group has shown resilience and continued to perform well, as reflected in the Group's financial performance, summarised below.

The Groups revenue stood at AED 3,776 million for 2020 (2019: AED 2,811 million), which was 34% higher than 2019. The increase in revenue was largely due to contributions from large projects such as Hail and Ghasha and Khalifa Port in the U.A.E, Manzalah Lake and Alexandria QW-55 reclamation projects in Egypt, and the receipt of final settlements against a major claim in Bahrain, and against a number of completed projects with government related entities in the UAE.

Net profit for 2020 at AED 352 million (2019: AED 181 million) showed an absolute increase of 94%, supported largely by the same factors that drove increased revenue

In order to continue building the infrastructure to support your Group's growth, we have invested a total of AED 302 million (2019: AED 498 million) in fixed assets during the year, most of which relate to investments in fleet, including a new Trailing Suction Hooper Dredger and a Backhoe Dredger that were deployed into operations during the third quarter, in addition to dry-docking of existing fleet vessels.

## Major Achievements

During the year, the Group' shareholders accepted an offer to acquire 100% of the shares of National Petroleum Construction Company (NPCC), a major international EPC contracting entity in Abu Dhabi, in exchange for shares in the Group to be issued to the sellers. This transaction was concluded subsequent to the year end, on 11 February 2021, and has led to the creation of one of the largest EPC contracting entities in the Middle East.

During the year, the Group was awarded the Khalifa Port – Etihad Rail Marine Works and Saadiyat Lagoons Enabling Works projects in the U.A.E, and Al Manzalah Lake Extension and Alexandria QW-55 reclamation works projects in Egypt.

The Group continued the execution of work on multiple projects in the UAE, of which the most notable are Hail and Ghasha Artificial Islands Construction Project, Khalifa Port South Quay Development and Foreshore Works, in addition to ongoing development works at Al Sila and Mugharaq ports.

With regard to international projects, the main activity continues to be in Egypt with two main projects progressing Ras Gargoub and Manzala Lake.

These achievements are of strategic importance to NMDC as they will give your Group an opportunity to grow into an EPC contractor and enable your Group to grow outside the UAE.

# Vision

Under the wise leadership and vision of the President His Highness Sheikh Khalifa Bin Zayed Al Nahyan and His Highness Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi may Allah protect and save them a solid asset to our beloved country and the people of the UAE. As UAE boldly moves forward to chart out its economic destiny, your Group is committed to being a partner in the development. We are hopeful and confident to grow as always by blazing new trails and living up to our promise that WE MAKE IT HAPPEN!

Over the past four decades, our shareholders, our clients, the governments, our partners, our employees and our well-wishers have supported our strategies and decisions and have stood by us through thick and thin. At the end of this year and at the beginning of another year, we thank each one of you and look forward to your continued support, belief and trust.

We pledge to work hard to meet the elevated expectations of our stakeholders. But all of you know, there is no shortcut to success. It comes with hard work, determination and personal sacrifice. We believe in our strategy and are confident that it will lead us to success.



**Mohamed Thani Murshed Al Rumaithi**  
Chairman NMDC



Our **Vision**

THE

**PERFECT**

**CHOICE**

WHERE **WE**

**SERVE**

# Our Mission

We act in the best interest of our shareholders with the aim of sustaining superior performance for the long term (Shareholders).

We aim to create a dynamic environment for our employees, emphasizing their development as the path to organizational success (People).

We continuously expand in line with industry best standards while aiming to achieve competitive and sustainable returns on investment (Quality).

We play an active role and we are a responsible and ethical contributor to our society (Society)

We provide high quality services to our clients and maintain excellence, respect and integrity in all aspects of our operations and our professional business conduct (Clients).

We are committed to health, safety and the environment and aim to create a healthy, clean and safe place to work and live in (Health, Safety & Environment).

# Our Values



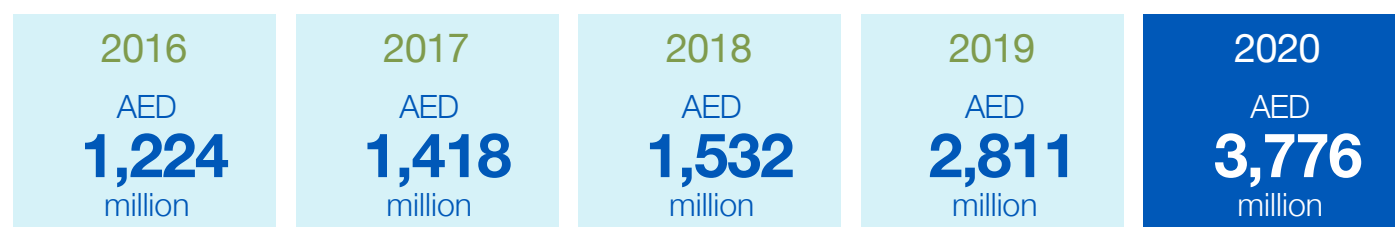
# Directors' Report

The Board of Directors of the Company have the pleasure of presenting the 2020 Annual Report along with the audited financial statements as at and for the year ended 31 December 2020.

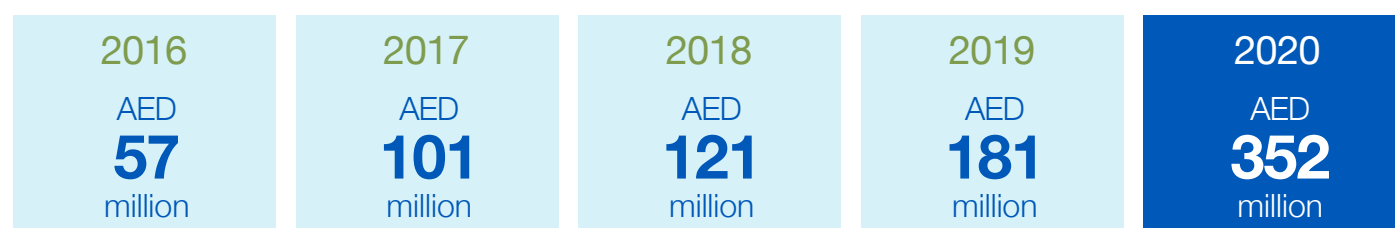
## Highlights

- Despite the unprecedented economic challenges followed by the COVID-19 pandemic, NMDC has shown resilience and continued to report an improvement in overall financial performance, while keeping the health and safety of our colleagues as the number one priority.
- During the year, the Group was awarded the Khalifa Port – Etihad Rail Marine Works and Saadiyat Lagoons Enabling Works projects in the U.A.E, and Al Manzalah Lake Extension and Alexandria QW-55 reclamation works projects in Egypt.
- In the third quarter, NMDC successfully completed the construction and deployment of the newly constructed Trailing Suction Hooper Dredger and a Backhoe Dredger.
- During the year, NMDC received an offer from the shareholders of National Petroleum Construction Company PJSC (“NPCC”), for the acquisition of the entire shareholding of NPCC, in exchange for shares in NMDC. After review and approval of NMDC’s Board of Directors, NMDC shareholders approved the offer to transfer the entire shareholding of NPCC to NMDC. The transaction has received regulatory approval and is effective on 11 of February 2021.

## CONTRACT REVENUE



## PROFIT OF THE YEAR



# Financial Results

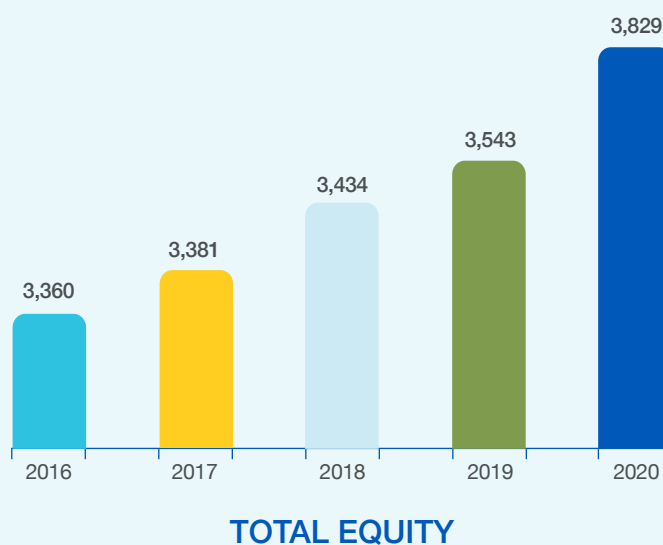
Your Company achieved revenues of AED 3,776 million and net profits of AED 352 million for the year 2020 as compared to revenues of AED 2,811 million and net profits of AED 181 million in 2019.

Consequently, earnings per share increased from AED 0.72 in 2019 to AED 1.41 for 2020. Taking into account the improved performance on the one hand, and the expected significant and all-pervasive effect of the ongoing COVID-19 pandemic on the future operations and performance of the Company on the other, the Directors have proposed a dividend of AED 0.25 per share, totaling AED 62.5 million, for 2020.

## Financial Position

Your Company's equity stands at AED 3,829 million at end of the year 2020, which is an increase of 8% YoY from AED 3,543 million at end of the year 2019. The total equity has been relatively stable from 2015 through 2020, showing a modest but steady CAGR of 3.32 percent.

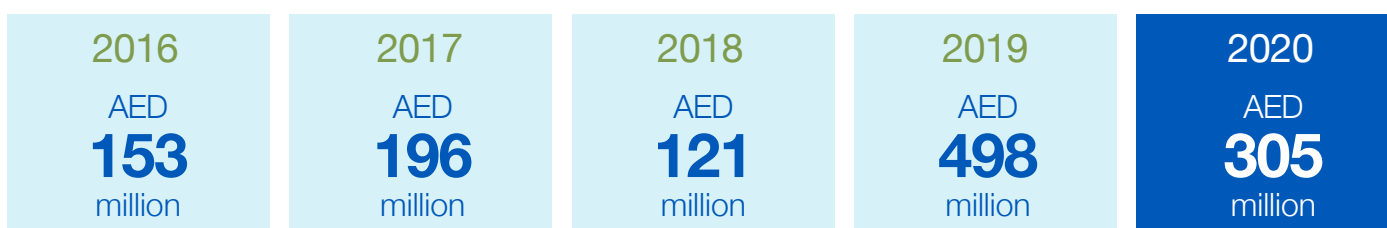
In 2020 Company maintained a debt-to-equity ratio at 28%, higher than in 2019. There were two main reasons for increase in debt level: financing of vessel construction and investment in working capital requirement to facilitate increase in business activity.



## Capital Expenditure

In order to deliver our clients with services to the highest standard, we continue to invest in latest technologies, machinery and equipment that would support the future execution of large, complex projects and improve our margins. Accordingly, we have invested in Fixed Assets AED 302 million in the year 2020 against AED 498 million in the year 2019. The majority of the capital expenditure in 2020 relates to the instalments paid for the new Trailing Suction Hopper Dredger, payments for the new Backhoe Dredger, dry-docking of existing vessels, and investments in other equipment.

### CAPITAL EXPENDITURE





# Fleet

Your Company currently owns a marine fleet consisting of 19 dredgers, 3 booster stations, an accommodation barge (which can accommodate more than 300 personnel) and 88 other marine equipment such as marine tugs, fuel barge ships, support craft and 79 units of earth moving equipment.

During the first quarter 2019, NMDC signed agreements for the construction of a new Trailing Suction Hopper Dredger with capacity of 8000m<sup>3</sup>, and a Backhoe Dredger with a dredging depth of 25m, which were both successfully delivered in Q3 2020 and immediately deployed on projects. During the second quarter 2019, NMDC signed agreements for the purchase of 2 multicats (M19 and M20) which were delivered in Q4 2020. In addition to new fleet investment, Shanyoob 3 and Pushycat 2 were reactivated to be utilized in Base and Khalifa Port project respectively. With continuous investment, your Company has grown its fleet and is currently the largest fleet owner in the region, and one of the largest worldwide.

The addition of these vessels to your fleet will allow NMDC to take on more challenging, large scale and diverse projects, and become more competitive in the dredging market in coming years.

# Information Technology

During the year, your Group has automated many business processes in order to increase users' efficiency while maintaining corporate governance:

- Oracle ERP (E-business Suite) has been implemented for Emarat Europe in order to achieve efficient and timely reporting of financial performance of the company. This is in line with company policy to have uniform system across all the NMDC Entities.
- In order to maximize the profitability of projects, we have implemented the Project Budgetary control module, which will enable the management to take correction actions on upfront basis to achieve greater control on project spending.
- Asset Disposal system has been implemented to automate the process of asset disposal requests, asset disposal approvals, asset disposal marking with a notification forwarded to Finance team for Asset Retirement;
- NMDC launched its Accommodation Software portal to automate the booking process of hotels / hostels for crew and Onboarding employees;
- NMDC'S new Delegation of Authority document is under implementation, commencing post the year end.

NMDC IT has also promoted communications and information security in more sophisticated ways:

- **Communication:** NMDC IT continued the adoption of Online Services ; providing a platform for Collaboration, Online Meetings, and one to one online calls. This fulfilled the requirement of communication and collaboration without the need of physical presence during COVID-19 crisis.
- **NMDC IT** has upgraded the datacentre to ensure stability in Core network and thereby providing high availability for critical IT Services.

# Quality, Health, Safety and Environmental (“QHSE”)

The management of NMDC strives for excellence in all we do and recognizes the impact that our activities may have on people and the environment. Furthermore, we understand the value added to our Clients, Product and Performance Quality.

The safety, health and protection of the environment are the prime concerns of our operation. Therefore, one of the main areas of focus is to take good care of our manpower resources;

More attention is directed to the continuous education and training of staff, and implementation of certified quality, safety and environmental management systems.

At NMDC, QHSE targets certain initiatives every year to achieve our objectives by protecting against workplace hazards, promote welfare of personnel, and provide acceptable quality of accommodation facilities, environmental reporting, implementing audits and plans for quality.

QHSE monitors compliance and identifies opportunities to further improve our performance by conducting regular internal audits, inspections, drills, and management reviews. For all subsidiaries, external certification bodies have asserted that the implementation complies with the most recent applicable international (ISO) quality, safety and environmental standards.

Although NMDC exceeded 24-million man-hour work without LTI, unfortunately, a subcontractor had an incident involving a fatality during 2020, emphasizing the need for extra vigilance in subcontractors' selection and management.

## During 2020, the following milestones were achieved as planned:

- NMDC has passed the surveillance audit for ISO 45001 and 9001
- NMDC has continued two-year plan to elevate Safety & quality awareness among all employees.
- Done during 2020:
  - More than 100 Quality tool box talk.
  - 35,000 quality Inspection.
  - 1000 Environmental inspection
  - More than 600 drills
  - More than 300 Management site visits
  - Almost 70,000 Training hours (60% done with external parties)
- QHSE department- solely internal efforts- set up the ADEC quality management system and acquired ISO 9001-2015 for ADEC
- Our recognized efforts and commitment to safety resulted in 2nd Neeshan award for “BEST HSE PERFORMANCE FORM - CONSTRUCTION - PROJECT” from Abu Dhabi Ports.
- Hail and Ghasha Project passed two share holder HSE audits by “ADNOC, ENI, OMV and Wintershall” with a recognised HSE assurance score of 79% and 82%
- Received ADNOC Award for 10 Million Man-hours Worked without LTI for Hail & Ghasha Project.

NMDC finished year 2020 as benchmark in the efficiency of HSE E-reporting system and performance analysis. HSE reporting software is officially launched at end of 2019.

Clients' expectations and NMDC strategy obliges continuous monitoring and improvements in order to meet our targets and then exceed them. This is reflected in our KPIs, and focus on gaps identified during performance measurement and internal audits.



## Risk Management

Our desire to maintain high standards and improve wherever possible triggers each one to be developed according to 'risk and opportunity' based thinking at every level within the organisation..

The rapid pace of change, technological, removal of trade barriers, expanding customers' base and mergers and consolidations have led to Operational risks increment.

Starting with NMDC management's approach for forward-thinking. Risks and opportunities management has become a primary part of NMDC operations and is particularly cascaded to supporting departments, purchasing, commercial, and others.

Operational risks and opportunities study starts during initial project study phase, mentored and mitigations assessed during project execution.

Every department head has identified risks in his area and on continues review for the effectiveness of actions taken to address risks and opportunities.

# Environment

Ensuring compliance with applicable local and federal legal requirements leads to NMDC successfully acquiring the necessary Environmental Permits (NOC's) for NMDC projects whenever required, such as Khalifa Port Project, Mugharraq, Sila, Jubail, Hail and Gasha.

Updated NMDC's Environmental Management System to satisfy the requirements of ISO 14001:2015. Resulting in successfully obtaining certification

Supervision and Monitoring of Environmental aspects at all NMDC projects and activities in Abu Dhabi, mainly at Musaffah Base, Jubail, Khalifa Port, Hudariyat, Mugharraq, Sila, Hail & Gasha fields and Emarat Europe. In addition to, across borders for projects in Egypt.

Conducting Inductions and training at Project sites on relevant Environmental topics, particularly those of direct impact on employees' day-to-day work, as and those required by projects, such as Non-Hazardous / Hazardous Waste Management, Marine Mammals and Reptiles Observation & Identification, Spill Prevention and Control, Chemicals Handling and Storage, and Environmental Aspects of Dredging.

# COVID-19 QHSE Management

In particular, the current situation with the recent Corona virus outbreak has become a key priority for the QHSE department. In coordination with the newly reconstituted Crisis Management Team within NMDC, we have quickly introduced measures to comply with the Government directives and other measures to contain the spread of the virus, and to look after the wellbeing of our employees, within our offices, project sites and shared accommodation facilities, such as:



During the COVID-19 pandemic NMDC took several initiatives for the welfare of employees and controlling COVID-19 Pandemic. The following initiatives have been taken:

- Established the NMDC Crisis Management Team, dedicated to control and suppress COVID-19 spread among the NMDC employees.
- Established the Employee's Care Committee, focusing on facilitating employee's welfare and wellbeing during the COVID-19 Pandemic.
- HSE Team members were patrolling every accommodation area and every work location to spread the awareness and educate NMDC employees the recommended habits to minimize virus spread. Regular Hygiene inspections carried out for all outsourced camps and enforce implementation for COVID-19 control measures
- COVID-19 management monitoring protocol was laid detailing the process of managing confirmed positive cases as well as suspected cases
- A strategic COVID-19 PPE stock was purchased and controlled by the assigned team.
- Impact assessment of potential lock downs or other employee movement restrictions on our ability to perform to client and employees expectations, and managing these as much as possible;
- Work from home programs;
- Monitoring of vital signs for all employees and visitors entering our premises;
- Severe restrictions on travel, changing with the evolving regulations;
- Introduction of interim policies to deal with employee leave and rotation;
- Enhanced cleaning and sanitation procedures at all our work locations, projects sites, labour camps and other shared employee accommodation;
- Dedicated quarantine facility for receiving employees returning to duty. This decision helped in reducing the probability of further spreading of the pandemic throughout company projects.
- Coordination with several medical facilities to receive the latest global and domestic pandemic updates as well as the latest legislative requirements.

As a result of the above proactive measures by NMDC CMT supported by the Top management, reported positive cases in critical projects were effectively controlled which led to achieving the main purpose of the team (employee wellbeing and business continuity).

We continue monitoring development of this emerging situation and take measures proactively to mitigate and control the risks arising therefrom.

NMDC readiness and effective response was recognized and appraised by clients from various projects.

COVID-19 pandemic is still posing and is being viewed by Management as a critical risk. This is reflected in the strategic decision of continuing the existing controls despite of any reduction of case numbers until further notice from the authorities.

# Management Discussion and Analysis

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## Management's explanation on qualification in auditors' report

With reference to the Auditor's Report on the consolidated financial statements – “Qualified Opinion” & “Emphasis of Matters” – Management would like to highlight that the Group is executing strategic projects for the Government of Abu Dhabi and/or Government related entities. The Group is involved in the projects from concept design to final construction and the nature of these projects is such that they require time from conceptualization to finalization with the clients. Following on from the significant progress made on the billing and collections against these projects in 2019 and 2020, discussions and negotiations with clients for finalization of the billing arrangements for the remaining projects are continuing. Management expects that progress will be made on completing the billing and collecting the payments, in the coming periods

## Our competitive strengths

We believe that we are well positioned to maintain and enhance our leadership position in the Dredging & Marine Construction market, on account of our competitive strengths, which are:

### Government backed dredging Company in the UAE

NMDC is one of the leading companies providing dredging, reclamation, and marine construction work in the Middle East. Our fleet mainly operates within the Middle East; however, our technical capabilities can be extended to any part of the Globe. We operate from a modern well-equipped premise, which includes multi-discipline workshops, slipways and fully supported administration and technical departments.

### Largest Portfolio of Dredging Assets in UAE

Your Company owns a marine fleet consisting of 19 dredgers with capacities ranging from 1,795 KW to 20,725 KW, including two Trailing Suction Hopper Dredgers with capacities of 6000m<sup>3</sup> and 8000m<sup>3</sup>. Your dredgers are supported by modern marine equipment such as tugs and multicat crafts, and ably assisted by A-Frame and barges wherever necessary. As part of NMDCs strategy, it is in their interest to continually review and expand the fleet to meet the challenging demands of customers and provide a first class service on all projects sanctioned.

With the delivery of the new Trailing Suction Hopper Dredger Arzana in early 2018, NMDC owns and operates the first hopper dredger that was specifically designed for working in areas such as the Arabian Gulf and in other areas with similar operating conditions. The demand generated for the 2018

TSHD highlighted a requirement to add to the fleet, whereby in August 2020, the second Trailing Suction Hopper Dredger Ghasha was successfully delivered and immediately utilized in projects. The new build project was only slightly delayed considering the Covid-19 restrictions and once again there was excellent co-operation between NMDC and the shipyard.

### Strong relationships with Customers

Dredging and Marine Construction are our mainstream business positioning us at the top as one of the largest dredging players in the region. Today our dredging operations are a highly-sophisticated business, and our latest modern technology helps our customers not only meet their needs but to exceed their expectations.

## Our strategies

As a Company, we are committed to high quality growth while becoming a largest independent turnkey solution provider in the region.

### Making forays into foreign markets

Apart from consolidating our presence in the UAE market, we have established branches in Egypt, Bahrain, Saudi Arabia, Oman, the Maldives and India, as part of strategy to foray into global markets to reduce geography risk. This strategy has started to show results whereby NMDC has executed projects in Egypt, Bahrain and Oman and more recently in Saudi Arabia, India and the Maldives. Our Egyptian operations contributed 12 percent to revenue in 2020 (2019: 10 percent), and our joint venture, Egyptian Emirates Dredging Company (“EEMDC”) was formally incorporated during 2019.

### Evolving into a fully Integrated and leading Middle East EPC Contractor

Over the years, NMDC has been expanding its capabilities and operations from pure dredging activities, into related marine construction activities. As a longer term strategy, NMDC’s seeks to expand from its current marine focused model, into becoming a fully integrated EPC contractor with civil construction capabilities beyond marine contracting, as management believe that this will be critical for NMDC to achieve sustainable future operations and growth.

To this end, the recent acquisition of NPCC (as mentioned above) is a major step forward in this direction. As mentioned in our 2019 Annual Report, the Group was actively looking for opportunities for the acquisition of entities in backward or forward stages of the value chain as well as to enter into strategic alliances or acquisitions to diversify the business into civil or infrastructural development. This acquisition represents the fruition of those efforts. The Group continues to look out for further acquisitions and alliance in this area, to support future growth.



## Reducing Operational Cost

In recent years, the Group has adopted a demand and supply model to support operations whereby focus is to reduce fixed cost and optimize utilization of internal resources. Cost reduction drive has been initiated with the intention to reduce cost without compromising the quality of services, which has resulted in improvements to systems and reduction of costs.

While creating and developing good business relations with banks, your Group has given special attention to procuring finance facilities at very competitive rates, which has resulted in your Group being able to secure cheaper funding & non-funding facilities.

## Enhancement of the fleet capability

Your Group took delivery of its first TSHD 'Arzana' in March 2018, and were delighted to take delivery of its second TSHD 'Ghasha' in August 2020. Both vessels were built in the same yard, known as one of the leading shipyards for this type of vessel. These newbuild 'Hopper Dredgers' are strategic additions to the fleet, which will not only provide your Company with additional capacity, but will also widen up the scope of work and provide the Group with a competitive edge. In addition to the newbuild 'Hopper Dredger', your Group has also added to its fleet with a new backhoe dredger, delivered in August 2020. In addition to dredgers, the Group has undertaken dry docking, major overhauling and modernization of several of its existing vessels.

## Optimization of capacity utilization

Your Company is committed to continue to optimize its capacity utilization by continuous project monitoring and review, reducing equipment downtime through preventive maintenance and working with repair yards to accelerate dry dock repair periods and through a renewed focus on training.

# Internal control systems and their adequacy

The Company's internal control system is established to ensure that the Board and Management are able to achieve their business objectives in a prudent manner, safeguarding interests of the Company's shareholders and other stakeholders, whilst at the same time minimizing key risks such as fraud, unauthorized business activity, misleading financial statements, un-informed risk-taking, or breach of legal or contractual obligations, and also ensuring highest quality achieved in a safe and sustainable environment.

The guidelines for design and implementation of the internal control systems is provided by the Company's approved Corporate Governance Manual and applicable regulations. The Board and its Committees provide oversight on the systems, and the Management is responsible for ensuring that adequate internal controls (both financial and operational) are in place and applied to safeguard and manage the assets of the Company, in an effective and efficient manner.

The Company's internal control is designed to mitigate, not eliminate, significant risks faced. It is recognized that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the Company through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, assurance and control functions such as External Audit, Internal Audit, Ethics & Compliance, Quality, Health, Safety and Environment function.

# Emiratization

Emiratization is a Key performance indicator of NMDC vision and mission for the past years and surely for year 2020.

NMDC trains Emiratis in various fields and provides life skills. Various initiatives and channels have been taken at NMDC in 2020 for boosting the U.A.E national's talent in dredging and civil marine industry:

NMDC has signed a legal commitment with Abu Dhabi Human Resource Authority for hiring UAE Nationals in maritime transport industry through its fresh graduate engineering program.

Fresh Graduate's engineers are tested; interviewed and selected to start an exciting career with the company through a two years fresh graduate program during which they learn and proceed with on the job training on our sites and in various departments. In 2020; NMDC has hired 15 Fresh Graduate's Engineers U.A.E Nationals to be part of its fresh graduate's program.

In Addition; NMDC has established its Dredging Academy through which semi- skilled U.A.E national workforces is hired to be trained in the core activity of the business being dredging. Life dredging simulators are established in the Academy for this particular purpose; and detailed courses are also provided by our industry Guru.

As of 2020 U.A.E national constitutes 8% of the organization workforce and with the plan to keep increasing it year on year.

# Acknowledgment

On behalf of the Board, I wish to express our appreciation for the support and cooperation of the financial institutions, suppliers, subcontractors, business associates and government authorities and expect the same in future for sustaining the Company's growth rate. The Board would like to place on record its appreciation of the hard work, commitment and unstinting efforts put in by your Company's employees at all levels.



**H.E. Mohamed Thani Murshed Al Rumaithi**  
Chairman NMDC

# Independent Auditor's Report to the Shareholders of NMDC

## Report on the Audit of the Consolidated Financial Statements

### Qualified Opinion

We have audited the consolidated financial statements of National Marine Dredging Company PJSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the basis of qualified opinion in our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### Basis For Qualified Opinion

Trade and other receivables at 31 December 2020 include unbilled receivables relating to certain contracts with the Government of Abu Dhabi, its departments or its related parties. We were unable to obtain sufficient and appropriate evidence to support the recoverability of amounts totalling AED 455,049 thousand (verbal contracts) and AED 150,621 thousand (signed contracts) included in these balances, due to the absence of signed contracts and/or significant delays in the billing and collection. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter

As stated in note 12 to the accompanying consolidated financial statements, unbilled receivables include an amount of AED 600,000 thousand recognized on the basis of claims submitted to a customer in prior periods. The final amount of the claims is still under negotiation and is subject to a review by a consultant, the finalization of which could have a significant impact on the amount of receivables recognized. Our opinion is not qualified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### Project revenue recognition

The Group recognised AED 3,776 million of project revenue for the year ended 31 December 2020.

Project revenue recognition is significant to the financial statements based on the quantitative materiality and the degree of management judgement required for revenue recognition. Revenue is recognized according to the stage of completion of the respective projects, which is measured using the "cost-to-cost method" and surveys of work performed.

Due to the contracting nature of the business, revenue recognition involves a significant degree of judgement, with estimates being made to:

- assess the total contract costs;
- assess the stage of completion of the contract;
- assess the proportion of revenues, including variation orders, to recognize in line with contract completion;
- forecast the profit margin on each contract incorporating appropriate allowances for technical and commercial risks; and
- appropriately identify, estimate and provide for onerous contracts.

There is a range of acceptable outcomes resulting from these judgements that could lead to different revenue or income being reported in the consolidated financial statements.

### How our audit addressed the area of focus

We obtained an understanding of the key internal controls and IT systems which support the project management and accounting. These included controls in the policies and procedures concerning determination of the percentage of completion, estimates to complete for both revenue and costs and provisions for loss making projects.

We enquired of management for a selection of major projects to gain an understanding of the progress of developments, any material contract variations and the projected financial performance of projects against feasibility reports.

We inspected a sample of contracts with customers and assessed project costs to date, estimates of revenue and costs to complete. We also agreed a sample of costs incurred to invoice and/or payment, including testing whether they were allocated to the appropriate project. We also evaluated subsequent payments made after the reporting date to assess whether the costs were accrued in the correct reporting period.

We also evaluated the accounting principles for revenue recognition, which form the basis for the recognition of unbilled receivables. In addition, we evaluated the adequacy of the Company's disclosures regarding trade receivables and unbilled receivables on projects, the related risks such as credit risk and the aging of trade receivables as disclosed in note 12 of the consolidated financial statements.

Management has also considered this area to be a key accounting estimate as disclosed in the 'accounting estimates and management judgements' note to the consolidated financial statements.

### **Valuation of trade receivables and Unbilled receivables (including the provision for expected credit losses)**

As at 31 December 2020, the gross trade receivables and the gross unbilled receivables on projects amounted to AED 927 million and AED 2,779 million respectively, out of which, AED 513 million and AED 2,071 million related to signed contracts while AED 414 million and AED 708 million related to unsigned/ verbal contracts. Such receivables are significant to the Group as these represent approximately 51% of the balance sheet total. Furthermore, the balance of trade and unbilled receivables aged more than 1 year is 33% of the trade receivables account. Hence, collectability of receivables is considered to be a key matter for the Group.

The provision for expected credit losses on trade and unbilled receivables from customers is considered to be a key audit matter as it requires the application of judgement by management, since the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. The Group's disclosures are included in Note 3 and Note 12 to the consolidated financial statements, which outlines the accounting policy for determining the provision for expected credit losses.

### ***Other information***

Other information consists of the information included in the Group's 2020 Annual Report and Board of Director's report, other than the consolidated financial statements and our auditors' report thereon. We obtained the Board of Directors' report, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2020 Annual Report after the date of our auditors' report. Management is responsible for the other information.

We also inspected the governance around approval of project budgets and held discussions with management where significant variances against the approved budgets were noted.

In addition, we performed procedures to ensure that the revenue recognition criteria adopted by the Group is appropriate and is in line with Group's accounting policy.

### **How our audit addressed the area of focus**

We performed procedures on individually significant projects, such as, substantiating transactions with underlying documentation, including contracts and third party correspondence, to obtain evidence for the accuracy and collectability.

We examined the Group's assessment of the customers' financial circumstances and ability to repay the debt and considered the customers' historical payment habits along with other macroeconomic information.

We requested and assessed legal opinions in situations where the outcome of project results or the recoverability of (un)billed receivables was dependent on the outcome of legal proceedings or arbitration.

We Gained an understanding of management's assessment of expected credit losses and their assumptions applied such as historical loss rates, time value of money etc. and evaluated whether the assumptions used in the assessment were reasonable.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of management and Board of Directors for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and the Audit Committee are responsible for overseeing the Group's financial reporting process.

### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee and the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



# Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015 except for any impact from the matter described in the “Basis for qualified opinion” section of audit report, we report that for the year ended 31 December 2020:

1. we have obtained all the information and explanations we considered necessary for the purposes of our audit;
2. the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 and the Company’s Articles of Association;
3. the Group has maintained proper books of account;
4. the financial information included in the Directors’ report is consistent with the books of account and records of the Company;
5. investments in shares and stocks are included in note 8 and 9 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2020;
6. note 26 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and
7. based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020; and
8. note 22 reflects the social contributions recorded during the year.

Signed by

Raed Ahmad  
Partner



Ernst & Young  
Registration No. 811

3 March 2021  
Abu Dhabi







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# Consolidated Statement of Financial Position

31 DECEMBER 2020

	Notes	2020 AED '000	2019 AED '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,549,447	1,444,334
Goodwill and other intangible assets	6	36,276	36,276
Investment in a joint venture	7	24,438	21,451
Financial assets at fair value through other comprehensive income	8	-	31,669
Deferred tax assets	10	3,715	2,623
Retentions receivable		32,944	7,395
<b>Total non-current assets</b>		<b>1,646,820</b>	<b>1,543,748</b>
<b>Current assets</b>			
Inventories	11	391,674	393,640
Trade and other receivables	12	4,904,239	3,546,516
Financial assets at fair value through profit or loss	9	27,782	27,097
Cash and bank balances	13	259,786	254,226
		5,583,481	4,221,479
Assets classified as held for sale	5	1,062	1,478
Total current assets		5,584,543	4,222,957
<b>TOTAL ASSETS</b>		<b>7,231,363</b>	<b>5,766,705</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	15	250,000	250,000
Share premium	16	341,500	341,500
Reserves	17	743,589	672,725
Proposed dividend		62,500	=
Retained earnings		2,431,481	2,278,676
<b>Total equity</b>		<b>3,829,070</b>	<b>3,542,901</b>
<b>Non-current liabilities</b>			
Provision for employees' end of service benefits	18	131,807	118,419
Term loan	14	266,890	148,565
Long term lease liabilities	3	8,251	8,724
<b>Total non-current liabilities</b>		<b>406,948</b>	<b>275,708</b>
<b>Current liabilities</b>			
Trade and other payables	19	2,183,328	1,751,807
Short term borrowings	14	812,017	196,289
Total current liabilities		2,995,345	1,948,096
Total liabilities		3,402,293	2,223,804
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,231,363</b>	<b>5,766,705</b>



Mohammed Thani Murshed Al Rumaithi  
CHAIRMAN

Yasser Nasr Zaghloul  
CHIEF EXECUTIVE OFFICER

Sreemont Prasad Barua  
CHIEF FINANCIAL OFFICER

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS | FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 AED '000	2019 AED '000
Revenue from contracts with customers	20	3,776,232	2,810,733
Contract costs	21	(3,268,906)	(2,536,861)
<b>GROSS PROFIT</b>		<b>507,326</b>	273,872
Share of profit of a joint venture	7	2,987	1,245
General and administrative expenses	22	(131,634)	(137,257)
Foreign currency exchange gain/(loss)		(21,676)	36,845
Fair value gain (loss) on financial assets at fair value through profit or loss	9	685	1,097
Finance costs	23	(14,494)	(22,316)
Finance income	23	12,871	22,367
Other income, net	24	8,906	15,320
<b>Profit before tax</b>		<b>364,971</b>	191,173
Income tax expense on foreign operations	10	(13,215)	(10,329)
<b>PROFIT FOR THE YEAR</b>		<b>351,756</b>	180,844
Basic and diluted earnings per share (in AED) attributable to equity holder of the Company	25	1.41	0.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 AED '000	2019 AED '000
PROFIT FOR THE YEAR		351,756	180,844
Other comprehensive income (loss) Items that will not be reclassified to the consolidated statement of profit or loss			
Loss on revaluation of investment in financial assets carried at fair value through other comprehensive income	8	(5,530)	(14,976)
Items that may be subsequently reclassified to the consolidated statement of profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		2,443	5,592
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(3,087)	(9,384)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>348,669</b>	171,460

The attached notes 1 to 31 form part of these consolidated financial statements.

	Share capital AED '000	Share premium AED '000	Reserves AED '000	Retained earnings AED '000	Proposed dividends AED '000	Total equity AED '000
Balance at 1 January 2019	250,000	341,500	682,109	2,105,332	55,000	3,433,941
Profit for the year	-	-	-	180,844	-	180,844
Other comprehensive loss	-	-	(9,384)	-	-	(9,384)
Total comprehensive (loss) income for the period	-	-	(9,384)	180,844	-	171,460
Dividend (note 19.3)	-	-	-	(7,500)	(55,000)	(62,500)
Balance at 31 December 2019	250,000	341,500	672,725	2,278,676	-	3,542,901
<b>Balance at 1 January 2020</b>	<b>250,000</b>	<b>341,500</b>	<b>672,725</b>	<b>2,278,676</b>	<b>-</b>	<b>3,542,901</b>
Profit for the year	-	-	-	351,756	-	351,756
Other comprehensive loss	-	-	(3,087)	-	-	(9,384)
Total comprehensive (loss) income for the year	-	-	(3,087)	351,756	-	348,669
Reclassification of accumulated losses on disposal of investment in financial assets carried at fair value through other comprehensive income to retained earnings	-	-	73,951	(73,951)	-	-
Proposed dividends (2020) (note 19.3)	-	-	-	(62,500)	62,500	-
Dividends paid (2019) (note 19.3)	-	-	-	(62,500)	-	(62,500)
<b>Balance at 31 December 2020</b>	<b>250,000</b>	<b>341,500</b>	<b>743,589</b>	<b>2,431,481</b>	<b>62,500</b>	<b>3,829,070</b>

The attached notes 1 to 31 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS | FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 AED '000	2019 AED '000
<b>OPERATING ACTIVITIES</b>			
Profit before tax		<b>364,971</b>	191,173
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	4	<b>200,849</b>	164,969
Gain on disposal of property, plant and equipment	24	<b>(212)</b>	(5,659)
Impairment of assets held for sales	5	<b>(1,254)</b>	-
Fair value (gain) loss on financial assets at fair value through profit or loss	9	<b>(685)</b>	(1,097)
Provision for slow moving and obsolete inventory	11	<b>8,052</b>	5,095
Share of profit of a joint venture	7	<b>(2,987)</b>	(1,245)
Dividend income	24	<b>(1,412)</b>	(2,674)
(Reversal)/allowance for expected credit losses		<b>17,361</b>	(90,258)
Other provisions		<b>31,683</b>	42,823
Finance costs, net		<b>747</b>	(51)
Provision for employees' end of service benefits	18	<b>17,050</b>	<u>22,430</u>
		<b>634,163</b>	325,506
Tax paid		<b>(7,666)</b>	(18,914)
Employees' end of service benefit paid	18	<b>(3,662)</b>	<u>(4,842)</u>
		<b>622,835</b>	301,750
<b>Working capital changes:</b>			
Change in inventories		<b>(6,086)</b>	(160,095)
Change in trade and other receivables		<b>(1,400,633)</b>	(320,193)
Change in trade and other payables		<b>392,311</b>	<u>841,723</u>
Net cash from (used in) operating activities		<b>(391,573)</b>	<u>663,185</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	4	<b>(302,479)</b>	(498,440)
Proceeds from disposal of FVTOCI shares	8	<b>26,139</b>	-
Investments in joint venture	7	-	(3,337)
Proceeds from disposal of property, plant and equipment		<b>850</b>	27,098
Interest received		<b>12,871</b>	22,367
Dividend received	24	<b>1,412</b>	<u>2,674</u>
Net cash used in investing activities		<b>(261,207)</b>	<u>(449,638)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from term loan	14	<b>222,978</b>	248,565
Repayment of loan		<b>(91,665)</b>	(8,334)
Dividends paid	19.3	<b>(64,065)</b>	(66,176)
Interest paid		<b>(14,091)</b>	<u>(21,869)</u>
Net cash from (used in) financing activities		<b>53,157</b>	<u>152,186</u>
<b>NET INCREASE.(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(599,623)</b>	365,733
Cash and cash equivalents at 1 January		<b>149,603</b>	(221,727)
Foreign exchange translation adjustment		<b>2,443</b>	<u>5,597</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	13	<b>(447,577)</b>	149,603

The attached notes 1 to 31 form part of these consolidated financial statements.





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# Notes to the Consolidated Financial Statements

31 DECEMBER 2020

## 1. GENERAL INFORMATION

National Marine Dredging Company (the “Company”) is a public shareholding company incorporated in the Emirate of Abu Dhabi. The Company was incorporated by Law No. (10) of 1979, as amended by Decree No. (3) and (9) of 1985 issued by His Highness Sheikh Khalifa Bin Zayed Al Nahyan, who was then the Deputy Ruler of the Emirate of Abu Dhabi. The registered address of the Company is P.O. Box 3649, Abu Dhabi, United Arab Emirates.

The Company is primarily engaged in the execution of dredging contracts and associated land reclamation works in the territorial waters of the UAE, principally under the directives of the Government of Abu Dhabi (the “Government”), a major shareholder. The Group also operates in other jurisdictions in the region including Bahrain, Egypt, Saudi Arabia and India through its subsidiaries, branches and joint operations.

During the year, the Company’s shareholders accepted an offer from ADQ (an existing shareholder and an entity fully owned by the Government of Abu Dhabi) and other minority shareholders of National Petroleum Construction Company PJSC (“NPCC”), to acquire 100% of the shareholding of NPCC, in exchange for the issuance of 575,000,000 equity shares in the Company to ADQ and the other shareholders of NPCC. This transaction received regulatory approvals subsequent to the reporting date, on 11 February 2021, and consequently, the Company’s share capital stands increased to AED 825,000,000 from that date. As a result of this transaction, the Government of Abu Dhabi has now become the majority holder of the Company’s shares (also refer to note 15).

These consolidated financial statements include the financial performance and position of the Company and its subsidiaries, joint venture and branches (collectively referred to as the “Group”), details of which are set out below.

Name Subsidiaries	Country of incorporation	Percentage holding	Principal activities
		<b>2020</b>	<u>2019</u>
Emarat Europe Fast Building Technology System Factory L.L.C. (Emarat Europe)	UAE	<b>100%</b>	100% Manufacturing and supply of precast concrete
National Marine Dredging Company (Industrial)	UAE	<b>100%</b>	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	<b>100%</b>	100% Consultancy services in the fields of civil, architectural, drilling and marine engineering along with related laboratory services
Abu Dhabi Marine Dredging Co S.P.C.	Bahrain	<b>100%</b>	100% Offshore reclamation contracts, services for fixing water installation for marine facilities and excavation contracts
National Marine and Infrastructure India Private Limited	India	<b>100%</b>	100% Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
<b>Branches</b>			
National Marine Dredging Company	Saudi Arabia	<b>Branch</b>	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
National Marine Dredging Company	Egypt	<b>Branch</b>	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
National Marine Dredging Company	Maldives	<b>Branch</b>	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction

Name Subsidiaries	Country of incorporation	Percentage holding	Principal activities
National Marine Dredging Company	Abu Dhabi	<b>Branch</b>	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
National Marine Dredging Company	Dubai	<b>Branch</b>	Dredging and associated land reclamation works, civil engineering, port contracting and marine construction
<b>Joint Venture</b>			
The Challenge Egyptian Emirates Marine Dredging Company	Egypt	<b>49%</b>	49% Dredging and associated land reclamation works, civil engineering, port contracting and marine construction

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

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of the UAE Federal Law No. (2) of 2015. Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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

The consolidated financial statements have been prepared on a historical cost basis, except for investments in financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, that have been measured at fair value and assets held for sale which have been measured at lower of cost and fair value less cost to sell.

### 2.2 Basis of consolidation

- Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:
  - Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
  - Exposure, or rights, to variable returns from its involvement with the investee
  - The ability to use its power over the investee to affect its returns
- Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
  - The contractual arrangement(s) with the other vote holders of the investee
  - Rights arising from other contractual arrangements
  - The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

## 2.3 New And Amended International Financial Reporting Standards (IFRS) and Interpretations

### a) Effective and adopted in the current year

- The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS effective as of 1 January 2020 which did not have a material impact on the consolidated financial statements of the Group:
- Amendments to IFRS 3: Definition of a Business;
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform;
- Amendments to IFRS 16: Covid-19 Related Rent Concession;
- Amendments to IAS 1 and IAS 8: Definition of Material; and
- The Conceptual Framework for Financial Reporting;

### b) Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- IFRS 17 Insurance contracts;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37;
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities; and
- IAS 41 Agriculture – Taxation in fair value measurements.

Management anticipates that the adoption of the standards, interpretations and amendments issued but not yet effective will have no material impact on the consolidated financial statements of the Group.

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

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

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### *Determining whether unsigned (verbal) agreements meet the definition of contract under IFRS 15:*

Certain projects for the Government of Abu Dhabi, its departments or related parties, and for customers in Egypt, are executed on the basis of verbally agreed terms (including estimates of total project cost and timelines) in line with the Group's historical business practice. Management has determined such unsigned verbal agreements meet the definition of a 'contract with customer' under IFRS 15 on the basis of external legal opinions. Based on legal opinions, management considers such unsigned verbal agreements to meet the definition of a 'contract with customer' under IFRS 15 since the Group and the customer agree upon the essential elements of a contract and any other lawful conditions, though matters of detail are left to be agreed upon at a later date, and the contract is deemed to be made and binding even in the absence of agreement on these matter of detail. In addition, under Article 132 of the UAE Civil code and under the Supreme Administrative Court Ruling in Case no. 134 of 42 Judicial Year dated 22 July 1997 a contract can be oral or written and a contract can also result from acts which demonstrate the presence of mutual consent between the relevant parties.

#### *Joint arrangement*

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

The Group has concluded that the Group entity "The Challenge Egyptian Emirates Marine Dredging Company", is a joint venture because each party has equal representation on the Board of Directors and unanimous consent of the Board of Directors is required for any resolution to be passed and the Group has rights to the net assets of the joint arrangement established by contractual agreement.

#### *Assets classified as held for sale*

The Group's fleet plan include certain dredgers and vessels earmarked for sale where a number of assets are under negotiation with potential buyers are in progress. During the year, the Group has reactivated certain dredgers and marine equipment to meet growing operational requirements, and certain assets were sold during the year. Certain remaining assets are still not sold. Management has continued to classify these assets as held for sale based on the fact that Group is still committed to the plan, the assets are available for immediate sale in its present condition and an active programme to locate a buyer and complete the plan have been initiated.

*COVID-19*

On 11 March 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. In addition, oil prices significantly dropped in January to March 2020 due to a number of political and economic factors. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities.

To alleviate the negative impact of the COVID-19 pandemic, the UAE Government, Central Bank and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and the UAE economy at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in the UAE.

The situation, including the government and public response to the challenges, continues to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of approval of these consolidated financial statements. Notwithstanding this, these developments could impact the Group's future financial results, cash flows and financial position.

### Estimates and assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### *Contract revenue*

Revenue from construction contracts is recognised in the consolidated statement of profit or loss when the outcome of the contract can be reliably estimated. The measurement of contract revenue is affected by a variety of uncertainties (including cost estimation and surveys of work performed) that depend on the outcome of future events.

As stated in note 3 to the consolidated financial statements, revenue is recognised in the consolidated statement of profit or loss on the basis of stage of completion of the contracts. The stage of completion can be measured by various methods. The management uses one of the following methods that measure reliably the actual work performed on the contract, depending on the nature of the contract:

- surveys of work performed; or
- the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

The above estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue recognised may increase or decrease from period to period.

#### *Contract variations and claims*

Contract variations are recognised as revenues only to the extent that it is probable that they will result in revenue which can be reliably measured. This requires the exercise of estimating the value of variations based on management's prior experience, application of contract terms and the relationship with the customers.

Contract claims are recognised as revenue only when management believes that an advanced stage of negotiation has been reached and the revenue can be estimated with reasonable certainty. Management reviews the judgement related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

*Provision for expected credit losses on trade receivables*

In measuring the expected credit loss allowance for financial assets measured at amortised cost, management uses the Expected Credit Loss (ECL) model and assumptions about future economic conditions and credit behavior such as likelihood of customer defaulting. Management consider the following judgements and estimates:

- Development of ECL model, including formula and choice of inputs;
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessments;
- The segmentation of financial assets when the ECL is assessed on a collective basis; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into ECL models.

The Group recognises lifetime expected credit loss (ECL) for trade and unbilled receivables using the simplified approach (note 12). As of 31 December 2020, the provision for expected credit losses on trade receivables and retention receivables amounted to AED 60,318 thousand (2019: AED 49,674 thousand).

*Unbilled receivables*

Unbilled receivables represent amounts relating to work performed which is yet to be billed to customers. Unbilled receivables are measured by applying the minimum recoverable rates expected, to the actual quantities dredged or the related works performed. Management believes that all unbilled receivables are collectible within twelve months from the reporting date and accordingly the balance is classified under current assets. Significant judgments are involved in management's assessment of the amounts of revenue and unbilled receivables recognised and the recoverability of these amounts. These judgments are reviewed as events occur and accordingly any changes thereon may have an impact on the amount of revenue recognised and unbilled receivables in these consolidated financial statements.

The Group receives lump sum payments from certain clients in settlement of outstanding invoices and as advances for several projects. The allocation of proceeds against invoices and unbilled receivables is determined based on management's judgment.

As of 31 December 2020, the provision for expected credit losses on unbilled receivables amounted to AED 46,758 thousand (2019: AED 40,041 thousand).

*Useful life of property, plant and equipment and intangible assets*

Management assigns useful lives and residual values to the items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and other limits on the use of the asset. The revision is based on the technical assessment carried by the Group.

During the year, management has reviewed the residual values and useful lives of the major items of property, plant and equipment and changed its estimate in respect of the useful life of dredgers from 25 to 18 years, along with an increase in the estimate of their residual values. This change has been accounted for as a change in accounting estimate in accordance with the requirements of IAS 8. Accordingly, the effect of this change has been recognized prospectively in the consolidated statement of profit or loss.

*Allowance for slow moving and obsolete inventory*

The Group reviews the underlying costs, ageing and movements of its inventories to assess losses due to any deterioration in the market and obsolescence on a regular basis. In determining whether an allowance should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is any future market for the product and the net realisable value for such product. Accordingly, management has determined that allowance for slow-moving and obsolete inventories at 31 December 2020 is AED 43,723 thousand (2019: AED 35,671 thousand).

*Change in estimate of revenue recognition*

During the year, the management has re-assessed its estimate for recognition of revenue for one project with effect from 1 April 2020 following a review of changes in circumstances over the period. Based on the review, the management has updated its measure of progress from the “input method” to the “output method” basis. The change in measure of progress has been accounted for as a change in accounting estimate in accordance with the requirements of IAS 8. Accordingly, the effect of this change in accounting estimate has been recognized prospectively in the consolidated statement of profit or loss from the current period. This change has not resulted in a material impact to the reported profit.

*Impairment of goodwill*

- Determining whether goodwill is impaired requires an estimation of the higher of value-in-use or fair value less cost to sale of the cash-generating unit to which the goodwill has been allocated. The value-in-use calculation for goodwill requires the Group to calculate the net present value of the future cash flows for which certain assumptions are required, including management’s expectations of:
  - long term growth rates in cash flows;
  - timing and quantum of future capital expenditure; and
  - the selection of discount rates to reflect the risks involved.

The key assumptions used and sensitivities are detailed in note 6 to the consolidated financial statements. A change in the key assumptions or forecasts might result in an impairment of goodwill.

The carrying amount of the Precast concrete division (CGU) is AED 111,257 (2019: AED 112,299 thousand) which includes goodwill, right of use of asset, fair value adjustments on property, plant and equipment and net assets amounting to AED 36,276 thousand, AED 11,897 thousand, AED 8,071 thousand and AED 55,013 thousand, respectively (2019: AED 36,276 thousand, AED 12,713 thousand, AED 9,401 thousand and AED 53,909 thousand). Based on the detailed impairment assessment performed by management, there were no impairment losses recognized on goodwill as at 31 December 2020 and 2019.

*Impairment of property, plant and equipment and other intangible assets*

The Group assesses for indicators of impairment of property, plant and equipment and other intangible assets at each reporting period. In determining whether impairment losses should be recorded, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

*Uncertain tax positions*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences may arise between the actual results and adjustments to tax income and expense already recorded. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Assessing the recoverability of deferred income tax assets requires the Group to make significant

assumptions related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. As of 31 December 2020, the Group has recognised a balance of AED 3,715 thousand as a deferred tax asset (2019: AED 2,623). The uncertain tax positions, for example tax disputes, have been accounted for by the applying the most likely amount. The most likely amount is the single most likely amount in a range of realistically possible options.

#### *Fair value of assets classified as held for sale*

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value less cost to sell for these assets is generally derived from valuation assessment carried out by a third party and/or prices agreed with potential buyers less cost. For the assessment carried out by a third party or by the management, a degree of judgement is required in establishing fair values. The judgements include consideration of market demand for these assets and nature of the assets. Changes in assumptions about these factors could affect the reported fair value of the assets classified as held for sale.

#### *Legal claims and contingencies*

When assessing the possible outcomes of legal claims and contingencies, the Group rely on the opinions of the legal counsel. The opinions of the Group's legal counsel are based on their professional judgment and take into consideration the current stage of proceedings and legal experience accumulated with respect to various matters. As the results of the claims may ultimately be determined by courts or otherwise settled, they may be different from such estimates.

#### *Discount rate used for initial measurement of lease liability*

The Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group, on initial recognition of the lease, uses its incremental borrowing rate. Incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment. The Group determined its incremental borrowing rate at 4.5% in respect of the lease liability.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognized less (when appropriate) cumulative amortisation recognized in accordance with the requirements for revenue recognition.

#### Investments in joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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 considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of the joint venture is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of results of joint ventures' in the consolidated statement of profit or loss.

### Revenue from contracts with customers

IFRS 15 establishes a five-step model that applies to revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The five steps are:

**Step 1** Identify contract(s) with a customer;

**Step 2** Identify performance obligations in the contract;

**Step 3** Determine the transaction price;

**Step 4** Allocate the transaction price to the performance obligations in the contract; and

**Step 5** Recognise revenue when (or as) the Group satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- a. The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.
- b. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described above. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

*Contract revenue*

Contract revenue comprises revenue from execution of contracts relating to dredging activities and associated land reclamation works. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, and incentive payments, to the extent that it is probable that they will result in revenue, they can be measured reliably and will be approved by the customers. Claims are recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be measured reliably. Contract revenue also includes revenue from securing the award of significant projects for dredging and reclamation works. These amounts are recognised when all significant service obligations arising from the related services have been discharged.

If the outcome of a contract can be estimated reliably, contract revenue is recognised in the consolidated statement of profit or loss in proportion to the stage of completion of the contract. Based on the method that most reliably measures the actual work performed on each contract, the stage of completion is determined either on the basis of surveys of work performed or in the proportion of the contract costs incurred for work performed to date as compared to the estimated total contract costs. Losses on contracts are assessed on an individual contract basis and a provision is recorded for the full amount of any anticipated losses, including losses relating to future work on a contract, in the period in which the loss is first foreseen.

In case of contracts, where revenue is recognised on the basis of surveys of work performed, revenue is measured by applying contractual rates, or the minimum recoverable rates expected, to the actual quantities dredged or the related works performed. Revenue is adjusted subsequently based on final customer approval if rates approved are different from those originally used.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs should be recognised as an expense in the period in which they are incurred.

*Significant financing component*

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

*Cost to obtain and costs to fulfill a contract*

The Group applied the practical expedient to immediately expense contract acquisition costs when the asset that would have resulted from capitalising such costs would have been amortised within one year or less. The Group does not incur any costs to obtain a contract and costs to fulfil a contract that are eligible for capitalisation.

**Finance income**

Finance income comprises interest income on bank deposits. Interest income is recognised as it accrues in the consolidated statement of profit or loss.

*Finance costs*

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the consolidated statement of profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

## Other income

### *Sale of scrap*

Income from the sale of scrap is recognized at the time customers take delivery and risk and rewards are transferred to customers as per agreed terms and conditions.

### *Dividend income*

Dividend income is recognised in the consolidated statement of profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

## Foreign currencies

Transactions in foreign currencies are translated to AED at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AED at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between the amortised cost in AED at the beginning of the year, adjusted for effective interest and payments during the period and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are retranslated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to AED at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in the consolidated statement of profit or loss, except for the exchange differences arising on the retranslation of equity instruments at fair value through OCI and qualifying cash flow hedges to the extent the hedge is effective, which are recognised in other comprehensive income. Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into AED using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign currency translation reserves.

## Taxation

Income tax (expense) / benefit comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

### *Current tax*

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Group has determined that interest and penalties related to income taxes do not meet the definition of income taxes, and therefore accounted for these under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

*Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint venture to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

*Value added tax (VAT)*

Expenses and assets are recognised net of the amount of VAT, except:

- When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

**Property, plant and equipment***Recognition and measurement*

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfer from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency for purchase of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

*Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Vessel overhaul and dry-docking costs are capitalised as a separate component of dredgers when incurred. The costs of day to day servicing of property, plant and equipment are recognised in the consolidated statement of profit or loss as incurred.

*Depreciation*

Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Vessel overhaul and dry docking costs are depreciated over the period up to next dry-docking, which is generally four years. The estimated useful lives for other items of property, plant and equipment for the current and comparative years are as follows:

	<b>Years</b>
Building and base facilities	<b>25</b>
Dredgers	<b>5 - 25</b>
Support vessels, boosters and pipelines	<b>1 - 10</b>
Plant, machinery and motor vehicles	<b>2 - 15</b>
Office equipment and furniture	<b>3 - 5</b>

Depreciation methods, useful lives and residual values are reviewed at each financial year end, with the effect of any changes in estimate accounted for on a prospective basis.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

*Capital work in progress*

The Group capitalises all costs relating to the construction of tangible fixed assets as capital work-in-progress, up to the date of completion of the asset. Such costs are transferred from capital work-in-progress to the appropriate asset category upon completion, and are depreciated over their estimated useful economic lives from the date of such completion.

*Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Insurance claim proceeds, if any, against an insured item of property, plant and equipment are recognised in “other income” in profit or loss.



## Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortization is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, from the date that they are available for use. Intangible assets includes fair value of operating lease rights. The estimated useful life of these assets is 24 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end date, with the effect of any changes in estimate accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

## Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

### Assets classified as 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 sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a complete sale within one year from the date of classification.

An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

### Inventories

Inventories comprise stores and consumable spares and are measured at the lower of cost and net realisable value. The costs of inventories are based on the weighted average method, and include expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Provision for slow moving and obsolete inventories is established based on expected usage as assessed by management.

### Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

- a. periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- b. periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

#### *Group as a lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

*Group as a lessee*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

For determination of the lease term, the Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

- a. is within the control of the Group; and
- b. affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Group recognises a right-of-use asset classified within property, plant and equipment and a lease liability classified separately on the consolidated statement of financial position.

*Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. As a result, ROU recognised as at 31 December 2020 is depreciated over period of 16 years representing the remaining lease term. Right-of-use assets are subject to impairment.

*Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

*Amounts recognised in the consolidated statement of financial position and profit or loss*

Set out below, are the carrying amounts of the Group's right-of-use asset and lease liabilities and the movements during the year:

	Right-of-use land AED'000	Lease liabilities AED'000
As at 1 January 2020	22,532	9,600
Depreciation expense	(1,446)	-
Interest expense	-	403
Payments	-	(876)
<b>As at 31 December 2020</b>	<b>21,086</b>	<b>9,127</b>
As at 1 January 2019	23,978	10,029
Depreciation expense	(1,446)	-
Interest expense	-	447
Payments	-	(876)
<b>As at 31 December 2019</b>	<b>22,532</b>	<b>9,600</b>

The Group recognised rent expense from short-term leases of AED 12,364 thousand (2019: AED 14,168 thousand) for the year ended 31 December 2020.

Lease liabilities are analysed in the consolidated statement of financial position as follows:

	2020 AED'000	2019 AED'000
Current liabilities (note 19)	876	876
Non-current liabilities	8,251	8,724
<b>Total</b>	<b>9,127</b>	<b>9,600</b>

Current portion of lease liabilities is included in trade and other payables.

## 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

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- a. Financial assets at amortised cost (debt instruments, cash and cash equivalents and trade receivables)
- b. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- c. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- d. Financial assets at fair value through profit or loss

The Group has the following financial assets:

#### *Cash and cash equivalents*

Cash and cash equivalents which include cash on hand, cash at banks, bank overdrafts and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

#### *Financial assets at amortised cost (trade receivables, cash and bank balances and amounts due from related parties)*

The Group measures financial assets at amortised cost if both of the following conditions are met:

- a. The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Cash and cash equivalents include cash on hand and deposits held with banks with original maturities of three months or less, net of overdraft balances.

*Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the consolidated statement of profit or loss when the right of payment has been established.

*Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost, lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, 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 months 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 end of the reporting period or an actual default occurring.

*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 end of the reporting period 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. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, 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 i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) 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*

The 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 highly doubtful of collection, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate:

- 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.

#### *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.

#### *iv) 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. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.
- 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 (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group.
- Past-due status;
- Nature, size and industry of debtors; 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 the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

#### *Derecognition*

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

#### *Financial liabilities*

Trade and other payables are classified as 'financial liabilities' and are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term liabilities when the recognition of interest is immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

#### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### **Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

### Provision for staff terminal benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based on the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Monthly pension contributions are made in respect of UAE National employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund.

### Dividend

Dividend is recognised as a liability in the period in which the dividends are approved by the Company's shareholders and are recognised as distributions within equity.

### Provisions

Provisions are recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

The provisions are reviewed and adjusted at each reporting date, and if outflow is no longer probable, the provision is reversed to income.

#### *Onerous contracts*

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

### Contingent liabilities

Unless the possibility of any outflow in settlement is remote, the Group discloses each class of contingent liability at the end of the reporting period and a brief description of the nature of the contingent liability. Where practicable, the Group discloses an estimate of its financial effect; an indication of the uncertainties relating to the amount or timing of any outflow; and the possibility of any reimbursement.

decision maker and used to allocate resources to the segments and to assess their performance.

### Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in note 29.



20,443.21

25,127.86

	Open	High	Low	Close
	2796.23	2804.53	2791.69	2801.31
	12549.2	12583.8	12499.3	12540.7
	1690.29	1697.4	1686.88	1687.08
	24926.1	25013.2	24890.1	25019.4
	7827.62	7843.53	7803.34	7825.98
	7712.24	7651.33	7661.87	7661.87
	1555	1555	1555	1555

## 4. PROPERTY, PLANT AND EQUIPMENT

	Building and base facilities AED	Dredgers AED	Support vessels, boosters and pipelines AED	Plant machinery and motor vehicles AED	Office equipment and furniture AED	Capital work in progress AED	Total AED
<b>2020</b>							
<b>Cost:</b>							
At 1 January 2020	206,507	1,427,135	1,382,118	386,042	75,584	320,726	3,798,112
Additions	560	245,617	15,284	29,625	8,126	3,267	302,479
Transfers	-	343,245	(44,470)	8,330	(8,046)	(299,059)	-
Disposals / derecognition of previously capitalized dry docking costs	(23)	(219,944)	(38,618)	(19,271)	(8,932)	-	(286,788)
Assets reclassified (note 5)	-	2,655	453	-	-	-	3,108
Exchange differences	1	-	2,358	-	100	(4)	2,455
<b>At 31 December 2020</b>	<b>207,045</b>	<b>1,798,708</b>	<b>1,317,125</b>	<b>404,726</b>	<b>66,832</b>	<b>24,930</b>	<b>3,819,366</b>
<b>Accumulated depreciation:</b>							
1 January 2020	105,829	1,005,585	863,435	320,442	58,487	-	2,353,778
Charge for the year (note 4.1)	10,079	64,988	87,819	29,265	8,698	-	200,849
Transfers	-	44,189	(44,224)	6,192	(6,157)	-	-
Disposals / derecognition of previously capitalized dry docking costs	(23)	(219,944)	(38,275)	(19,014)	(8,894)	-	(286,150)
Assets reclassified (note 5)	-	985	453	-	-	-	1,438
Exchange differences	1	-	12	1	(10)	-	4
<b>At 31 December 2020</b>	<b>115,886</b>	<b>895,803</b>	<b>869,220</b>	<b>336,886</b>	<b>52,124</b>	<b>-</b>	<b>2,269,919</b>
<b>Net carrying amount:</b>							
<b>At 31 December 2020</b>	<b>91,159</b>	<b>902,905</b>	<b>447,905</b>	<b>67,840</b>	<b>14,708</b>	<b>24,930</b>	<b>1,549,447</b>

Two dredgers TSHD Ghasha and Backhoe Sarb were capitalised during 2020 under dredgers. Capital work in progress relates to dredgers and related equipment under construction as at 31 December 2020 and 2019.

	Building and base facilities AED	Dredgers AED	Support vessels, boosters and pipelines AED	Plant machinery and motor vehicles AED	Office equipment and furniture AED	Capital work in progress AED	Total AED
<b>2019</b>							
<b>Cost:</b>							
At 1 January 2019	180,322	1,399,920	1,224,622	359,616	70,114	26,143	3,260,737
Effect of change in accounting policy- IFRS 16 (note 2.3)	23,978	-	-	-	-	-	23,978
Additions	2,974	31,114	97,025	32,766	5,313	329,248	498,440
Transfers	(113)	(5,655)	26,144	9,880	5,035	(35,291)	-
Disposals	(656)	(34,739)	(23,275)	(16,220)	(5,010)	(63)	(79,963)
Assets reclassified (note 5)	-	36,495	57,602	-	-	-	94,097
Exchange differences	2	-	-	-	132	689	823
<b>At 31 December 2019</b>	<b>206,507</b>	<b>1,427,135</b>	<b>1,382,118</b>	<b>386,042</b>	<b>75,584</b>	<b>320,726</b>	<b>3,798,112</b>
<b>Accumulated depreciation:</b>							
1 January 2019	98,217	950,619	798,788	304,765	55,764	-	2,208,153
Charge for the year	8,471	61,262	64,422	26,072	4,742	-	164,969
Transfer	(333)	(4,632)	(10)	2,103	2,872	-	-
Disposals	(645)	(17,198)	(23,275)	(12,498)	(4,907)	-	(58,523)
Assets reclassified (note 5)	-	15,534	23,488	-	-	-	39,022
Exchange differences	119	-	22	-	16	-	157
<b>At 31 December 2019</b>	<b>105,829</b>	<b>1,005,585</b>	<b>863,435</b>	<b>320,442</b>	<b>58,487</b>	<b>-</b>	<b>2,353,778</b>
<b>Net carrying amount:</b>							
<b>At 31 December 2019</b>	<b>100,678</b>	<b>421,550</b>	<b>518,683</b>	<b>65,600</b>	<b>17,097</b>	<b>320,726</b>	<b>1,444,334</b>

## 4.1 PROPERTY, PLANT AND EQUIPMENT

	2020 AED'000	2019 AED'000
Contract costs	195,089	159,862
General and administrative expenses	5,760	5,107
	<b>200,849</b>	<b>164,969</b>

## 5. ASSETS CLASSIFIED AS HELD FOR SALE

	2020 AED'000	2019 AED'000
As at 1 January	1,478	56,553
Transfers to property, plant and equipment (note 4)	(1,670)	(55,075)
Impairment reversal	1,254	-
<b>At 31 December</b>	<b>1,062</b>	<b>1,478</b>

In 2020, the Group transferred certain dredgers and marine equipment with a carrying amount of AED 1,670 thousand (2019: AED 55,075 thousand) back to property, plant and equipment, to meet growing operational requirements. During the year, management has reversed the impairment for the reinstated vessels that was recognised in the previous periods.

For the remaining assets, the Group is in the process of locating buyers willing to buy at market price. The Group is still committed to the plan, the assets are available for immediate sale in its present condition and an active programme to locate a buyer and complete the plan have been initiated.

## 6. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill AED'000	Other intangible assets AED'000	Total AED'000
<b>Cost</b>			
At 1 January and 31 December 2020	36,276	-	36,276
<b>Amortization</b>			
At 1 January and 31 December 2020	<u>36,276</u>	-	<u>36,276</u>
<b>Cost</b>			
At 1 January 2019	36,276	19,313	55,589
Adjustment: derecognition upon adoption of IFRS 16	-	(19,313)	(19,313)
At 1 January 2019 (adjusted)	<u>36,276</u>	-	<u>36,276</u>
<b>Amortization</b>			
1 January 2019	-	5,784	5,784
Adjustment: derecognition upon adoption of IFRS 16	-	(5,784)	(5,784)
Charge for the year	-	-	-
<b>At 31 December 2019</b>	<b>36,276</b>	<b>-</b>	<b>36,276</b>

In 2019, the Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related intangibles in respect of favorable lease of AED 13,529 thousand.

Impairment testing for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the precast concrete division. The recoverable amount of the precast concrete CGU (Emarat Europe) was based on its value in use, determined by discounting the future pre-tax five-year cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount, therefore no impairment loss was recognised.

Key assumptions used in the calculation of value in use were discount rate, terminal value growth rate and the EBITDA growth rate. These assumptions were as follows:

	2020	2019
Discount rate (pre-tax)	8.0%	8.0%
Terminal value growth rate	2.5%	2.5%
Budgeted EBITDA growth rate	5%	5%

The discount rate was based on the risk-free rate obtained from the yield on 10-year bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increase risk of investing in equities generally and the systemic risk of the specific CGU.

## 7. INVESTMENT IN A JOINT VENTURE

	2020 AED'000	2019 AED'000
At 1 January	21,451	16,869
Additional investment in joint venture	-	3,337
Share of profit for the year	2,987	1,245
<b>At 31 December</b>	<b>24,438</b>	21,451

In November 2017, the Group entered into a Memorandum of Agreement with Canal Harbour and Great Projects Company, an affiliated company of the Suez Canal Authority in Egypt, for the incorporation of a joint stock company (the "Joint Venture") to execute dredging and related works, and other engineering consulting services inside and outside the Arab Republic of Egypt. During 2018, the legal process for incorporating the joint venture in the Suez Canal Economic Zone in the name of "The Challenge Egyptian Emirates Marine Dredging Company" was completed with the shareholding of the Group at 49% and equal representation in Board of Directors of the Joint Venture. The Joint Venture is formed for an initial period of five years with automatic renewal upon approval of both parties.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 AED'000	2019 AED'000
At 1 January	31,669	46,645
Fair value adjustments	(5,530)	(14,976)
Disposal	(26,139)	-
<b>At 31 December</b>	<b>-</b>	<b>31,669</b>

The financial assets at fair value through OCI at the end of reporting date are detailed below.

	2020 AED'000	2019 AED'000
<b>Investment in quoted UAE equity securities</b>	<b>-</b>	<b>31,669</b>

The fair value of the quoted UAE equity securities is based on quoted market prices at the end of the year as per Level 1 valuation.

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 AED'000	2019 AED'000
At 1 January	27,097	26,000
Change in fair value	685	1,097
<b>At 31 December</b>	<b>27,782</b>	<b>27,097</b>

The financial assets at fair value through profit or loss (FVTPL) at the end of reporting date are detailed below.

	2020 AED'000	2019 AED'000
Investment in quoted UAE equity securities	27,782	26,154
Investment in unquoted UAE equity securities	-	943
<b>At 31 December</b>	<b>27,782</b>	<b>27,097</b>

The fair value of the quoted UAE equity securities is based on quoted market prices at the end of the year as per Level 1 valuation. The fair value of unquoted UAE securities was arrived at based on the fair market value as per Level 3 valuation.

## 10. TAXATION

The components of foreign income tax credit/ (expense) are:	2020 AED'000	2019 AED'000
<i>Current tax:</i>		
Current tax on profits for the year	<u>11,908</u>	<u>10,329</u>
Adjustments in respect of previous years	<u>1,307</u>	-
<b>Total current tax</b>	<b>13,215</b>	<b>10,329</b>
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	1,092	(2,787)
<b>Total deferred tax</b>	<b>1,092</b>	<b>(2,787)</b>
<b>Income tax credit</b>	<b>14,307</b>	<b>7,542</b>
The income tax credit for the year can be reconciled to the accounting profit as follows:		
<b>Profit before income tax</b>	<b>63,587</b>	<b>33,520</b>
Tax calculated at domestic tax rates applicable to profits in respective tax jurisdictions	22.50%	22.50%
<b>Income tax credit</b>	<b>14,307</b>	<b>7,542</b>

### Income tax credit

The tax rates used for the reconciliation above are rates applicable to the profits in the respective foreign tax jurisdictions, mainly in Egypt.

The movement in deferred tax assets is as follows:

	2020 AED'000	2019 AED'000
<i>Deferred tax assets</i>		
At 1 January	<u>2,623</u>	<u>5,410</u>
Credited to profit or loss during the year	<u>(1,513)</u>	<u>(5,410)</u>
<b>Other temporary and translation differences</b>	<b>2,605</b>	2,623
<b>At 31 December</b>	<b>3,715</b>	<b>2,623</b>

Deferred tax mainly arises from temporary differences relating to tax benefits on expenses incurred in Egypt. The Group has recognized a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

## 11. INVENTORIES

	2020 AED'000	2019 AED'000
Spare parts and consumables	425,105	425,682
Raw materials	1,494	1,147
Finished goods	8,798	2,482
<b>Less: allowance for slow moving and obsolete inventories</b>	<b>(43,723)</b>	<b>(35,671)</b>
	<b>391,674</b>	<b>393,640</b>

As at 31 December 2020, an amount of AED 43,723 thousand (2019: AED 35,671 thousand) is recognised as an allowance for slow moving and obsolete inventories.

	2020 AED'000	2019 AED'000
At 1 January	35,671	30,576
Charge for the year	8,052	5,095
<b>At 31 December</b>	<b>43,723</b>	<b>35,671</b>

## 12. TRADE AND OTHER RECEIVABLES

	2020 AED'000	2019 AED'000
Trade receivables, net of allowance for expected credit loss	869,122	973,347
Retention receivables – current portion	53,534	49,722
Unbilled receivables, net of allowance for expected credit loss	2,732,565	2,311,962
Deposits and prepayments	41,115	43,071
Deposits and prepayments	994,167	-
Other receivables	213,736	168,414
	<b>4,904,239</b>	<b>3,546,516</b>

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

Contract asset comprises costs incurred on certain elements of one of the Group's major projects, on which the Group is not contractually entitled to earn revenue until the various work packages are completed and handed over. While none of the work packages have been handed over till date, commencing early 2021, a significant number of packages are scheduled to be completed and handed over, which will result in a winding down of the balance throughout the remainder of 2021.

Unbilled receivables, net of allowance for expected credit loss, are analysed as follows:

	<b>2020</b> <b>AED'000</b>	<b>2019</b> <b>AED'000</b>
<i>Unsigned contracts</i>		
- Government of Abu Dhabi and its related entities	<b>621,894</b>	715,410
- Joint venture	<b>55,544</b>	<u>18,365</u>
	<b>677,438</b>	733,775
<i>Signed contracts</i>		
- Government of Abu Dhabi and its related entities	<b>1,835,472</b>	1,388,541
- Joint venture	<b>186,823</b>	161,712
- Other entities	<b>32,832</b>	<u>27,934</u>
	<b>2,055,127</b>	1,578,187
	<b>2,732,565</b>	<b>2,311,962</b>

Unbilled receivables include AED 455,049 thousand (2019: AED 464,356 thousand) and AED 850,862 thousand (2019: AED 1,011,048 thousand), outstanding for a period exceeding one year, from unsigned and signed contracts respectively.

Unbilled receivables include AED 153,243 thousand (2019: AED 267,084) and AED 1,214,486 thousand (2019: AED 671,359) thousand recognised as revenue during the year from unsigned and signed contracts respectively. Management has determined that these receivables are fully recoverable on the basis that these are approved via letters of awards and considering that they are not outstanding for a long period of time.

Unbilled receivables include an amount of AED 600,000 thousand (2019: AED 600,000 thousand) recognized on the basis of claims submitted to a customer in prior periods. The final amount of the claims is still under negotiation and is subject to a review by a consultant, the finalization of which could have a significant impact on the amount of receivables recognized.

#### *Allowance for expected credit loss*

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

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

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

**Trade and retention receivables as at 31 December 2020.**

	Categories				Total AED'000
	I AED'000	II AED'000	III AED'000	IV AED'000	
Expected credit loss rate	0 to 2%	2 to 3%	3 to 99%	100%	
Estimated total gross carrying amount	877,422	90,559	1,576	46,361	<b>1,015,918</b>
Provision for expected credit losses	(10,498)	(2,717)	(742)	(46,361)	<b>(60,318)</b>
Net trade and retention receivables	866,924	87,842	834	-	<b>955,600</b>

**Trade and retention receivables as at 31 December 2019.**

	Categories				Total AED'000
	I AED'000	II AED'000	III AED'000	IV AED'000	
Expected credit loss rate	0 to 1%	1 to 2%	2 to 99%	100%	
Estimated total gross carrying amount	962,902	71,118	-	46,118	<b>1,080,138</b>
Provision for expected credit losses	(2,134)	(1,422)	-	(46,118)	<b>(49,674)</b>
Net trade and retention receivables	960,768	69,696	-	-	<b>1,030,464</b>

**Unbilled receivables as at 31 December 2020**

	Categories				Total AED'000
	I AED'000	II AED'000	III AED'000	IV AED'000	
Expected credit loss rate	0 to 2%	2 to 3%	3 to 99%	100%	
Estimated total gross carrying amount	2,723,551	28,775	-	26,997	<b>2,779,323</b>
Provision for expected credit losses	(18,898)	(863)	-	(26,997)	<b>(46,758)</b>
Net unbilled receivables	2,704,653	27,912	-	-	<b>2,732,565</b>

**Unbilled receivables as at 31 December 2019**

	Categories				Total AED'000
	I AED'000	II AED'000	III AED'000	IV AED'000	
Expected credit loss rate	0 to 1%	1 to 2%	2 to 99%	100%	
Estimated total gross carrying amount	2,292,060	27,325	-	32,618	<b>2,352,003</b>
Provision for expected credit losses	(6,876)	(547)	-	(32,618)	<b>(40,041)</b>
Net unbilled receivables	2,285,184	26,778	-	-	<b>2,311,962</b>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. Trade receivables are considered past due once they have passed their contracted due date. Management has not recognised an expected credit loss in respect of delays in recovery of receivables expected to be recovered in full in the future as these are expected to be recovered in the short term and therefore no discounting adjustment is required.

Movement in the provision for expected credit losses on trade receivables is as follows:

	2020 AED'000	2019 AED'000
At 1 January	49,674	130,728
Charge during the year	14,127	2,987
Reversal	(3,483)	(84,041)
<b>At 31 December</b>	<b>60,318</b>	<b>49,674</b>

Movement in the provision for expected credit losses on unbilled receivables is as follows:

	2020 AED'000	2019 AED'000
At 1 January	40,041	49,245
Charge during the year	13,460	3,749
Reversal	(6,743)	(12,953)
<b>At 31 December</b>	<b>46,758</b>	<b>40,041</b>

## 12.1 Gross amount due from customers on construction contracts

	2020 AED'000	2019 AED'000
<b>Contracts in progress at end of the reporting year</b>		
Amount due from contract customers included in trade and other receivable (gross) (note 12)	2,779,323	2,352,003
Contract cost incurred plus recognised profits less recognised losses to date	12,611,571	10,554,999
Less: progress billings	(9,832,248)	(8,202,996)
	<b>2,779,323</b>	<b>2,352,003</b>

## 13. CASH AND CASH EQUIVALENTS

	2020 AED'000	2019 AED'000
Cash in hand	1,470	2,005
Cash at banks		
- Current accounts	135,741	132,557
- Short term deposits	122,575	119,664
Cash and bank balances	259,786	254,226
Less: bank overdraft (note 14)	(707,363)	(104,623)
<b>Cash and cash equivalents</b>	<b>(447,577)</b>	<b>149,603</b>

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

## 14. BORROWINGS

	2020 AED'000	2019 AED'000
<b>Short term borrowings</b>		
Bank overdrafts (note 13)	707,363	104,623
Short term loan	104,654	91,666
<b>Short term borrowings</b>	<b>812,017</b>	<b>196,289</b>

During the year, the group entered into a short term loan amounting to AED 75,000 thousand for a total tenor of 12 months which carried an interest rate of 6 months EIBOR + 1.25% per annum. The loan is payable in two (2) semi-annual installments commencing 30th March 2021.

### Long term loan

On 8 July 2019, the Group signed an agreement for a EUR 65.67 million facility with Cooperatieve Rabobank UA for financing the construction of a new Hopper Dredger with a 10 year tenor. The full amount of loan was drawn down during the year with the repayment on semi-annual basis commencing from February 2021. Accordingly, the first two instalments have been classified as a current liability under short term loan, with the remainder as a non-current liability under term loan in the consolidated financial statements.

## 15. SHARE CAPITAL

	2020 AED'000	2019 AED'000
<b>Authorised, issued and fully paid</b>		
50,000,000 (2019: 250,000,000) <b>ordinary shares of AED 1 each</b>	<b>250,000</b>	<b>250,000</b>

As stated in note 1 to these consolidated financial statements, as a result of the transaction to acquire NPCC, subsequent to the reporting date, the Company's share capital stands increased to AED 825,000,000 with effect from 11 February 2021, and the Government of Abu Dhabi has now become the majority holder of the Company's shares, with effect from that date (also refer to note 1).

## 16. SHARE PREMIUM/ ADDITIONAL SHARE CAPITAL

On 4 February 2010, the Company and Tasameem Real Estate LLC ("Tasameem") entered into an agreement according to which the Company had issued 50,000,000 convertible bonds to Tasameem convertible to 50,000,000 equity shares of the Company at AED 7.83 per share over a period of four years.

The Company issued 50,000 thousand convertible bonds to Tasameem from 2010 and 2013, for a total consideration of AED 391,500 thousand. These bonds were converted to 50,000 thousand equity shares of the Company at the face value of AED 1 per share resulting in an increase in the Company's share capital by AED 50,000 thousand as at 31 December 2014.

The excess of the consideration over the face value of the equity shares issued, amounting to AED 341,500 thousand had been recorded as share premium.

Pursuant to the Ministerial Decree No. (71) of 2014 and the Board of Directors decision circulated on 22 January 2014, the Company's Board of Directors approved the increase of its share capital from 227,848,502 shares to 250,000,000 shares. Accordingly, the share capital of the Company has increased by 22,151,498 shares with AED 1 par value which were authorised, issued and fully paid. These additional shares were subsequently listed on the Abu Dhabi Stock Exchange.

## 17. RESERVES

	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Foreign, exchange reserve AED'000	Unrealised loss on financial assets at FVTOCI AED'000	Total AED'000
<b>At 1 January 2019</b>	125,000	595,000	20,000	(4,446)	(53,445)	<b>682,109</b>
Change in fair value of financial assets at fair value through other comprehensive income (note 8)	-	-	-	-	(14,976)	<b>(14,976)</b>
Cumulative translation adjustment on foreign operations	-	-	-	5,592	-	<b>5,592</b>
<b>At 31 December 2019</b>	<b>125,000</b>	<b>595,000</b>	<b>20,000</b>	<b>1,146</b>	<b>(68,421)</b>	<b>672,725</b>
<b>At 1 January 2020</b>	125,000	595,000	20,000	1,146	(68,421)	<b>672,725</b>
Change in fair value of financial assets at fair value through other comprehensive income (note 8)	-	-	-	-	(5,530)	<b>(5,530)</b>
Reclassification of accumulated losses on disposal of investment in financial assets carried at fair value through other comprehensive income to retained earnings	-	-	-	-	73,951	<b>73,951</b>
Cumulative translation adjustment on foreign operations	-	-	-	2,443	-	<b>2,443</b>
<b>At 31 December 2020</b>	<b>125,000</b>	<b>595,000</b>	<b>20,000</b>	<b>3,589</b>	<b>-</b>	<b>743,589</b>

### Legal reserve

In accordance with UAE Federal Law No. (2) of 2015, 10% of the annual profit of the Company is transferred to a non-distributable legal reserve. Transfers to this reserve are required to be made until such time as it equals 50% of the paid up share capital of the Company. There were no transfers made during the year as reserves equal to 50% of the paid up share capital.

### Asset replacement reserve

This reserve represents an appropriation from the annual profit, at the discretion of the Board of Directors with the approval of the General Assembly, to facilitate the financing of dredgers and support craft and other major items of property, plant and equipment. No appropriation was made from the current or prior year profit.

### Regulatory reserve

Transfers to and from the regulatory reserve are made at the discretion of the Board of Directors with the approval of the General Assembly and in accordance with the powers granted by the Articles of Association. This reserve may be used for such purposes as the Board of Directors deem necessary for the Company's activities. No appropriation was made from the current or prior year profit.

## 18. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2020 AED'000	2019 AED'000
At 1 January	<b>118,419</b>	97,641
Charge for the year	<b>17,050</b>	22,430
Paid during the year	<b>(3,662)</b>	(4,842)
Reclassified to accrued expense	-	3,190
<b>At 31 December</b>	<b>131,807</b>	<b>118,419</b>

During the year, the Group has contributed a total amount of AED 4,239 thousand (2019: AED 3,231 thousand) towards the Abu Dhabi Pension and Retirement Benefits Fund.

## 19. TRADE AND OTHER PAYABLES

	2020 AED'000	2019 AED'000
Trade payables	907,990	619,222
Accrued liabilities	510,484	432,743
Advances from customers (Note 19.1)	195,258	245,480
Provisions (Note 19.2)	127,428	95,745
Dividends payable (Note 19.3)	22,765	24,330
Finance lease liability (Note 3)	876	876
Gross amount due to customers on construction contracts (Note 19.4)	191,873	209,566
Retentions payable	28,997	8,033
Other payables	197,657	115,812
	<b>2,183,328</b>	<b>1,751,807</b>

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest is payable on the outstanding balances.

### 19.1 Advances From Customers

These represent amounts received in advance from customers for certain projects which will be adjusted against future billing during the course of the projects as per contractual terms

### 19.2 Provisions

	2020 AED'000	2019 AED'000
Provision for Board remuneration and employee bonus	50,727	48,500
Provision for unused vacations	31,702	17,669
Provision for warranty	2,499	7,225
Provision for liquidated damages	42,500	21,868
	<b>127,428</b>	<b>95,745</b>

### 19.3 Dividends Payable

	2020 AED'000	2019 AED'000
At 1 January	24,330	28,006
Dividends declared during the year	62,500	62,500
Payments during the year	(64,065)	(66,176)
	<b>22,765</b>	<b>24,330</b>

At the annual general meeting held on 21 June 2020, the shareholders approved a dividend of AED 0.25 per share for a total amounting to AED 62.5 million (2019: AED 62.5 million) and remuneration of the Board of Directors amounting to AED 11 million (2019: AED 11 million), relating to the year ended 31 December 2019.

The Board of Directors at the meeting held on 28 February 2021, recommended a dividend of AED 0.25 per share, totaling AED 62.5 million for the year ended 31 December 2020. This is subject to approval by the shareholders at the Annual General Meeting expected to be held on 28 March 2021.

## 19.4 Gross Amount Due to Customers on Construction Contracts

	2020 AED'000	2019 AED'000
Contracts in progress at end of the reporting year		
Amount due to contract customers included in trade and other payables (note 19)	191,873	209,566
Contract cost incurred plus recognised profits less recognised losses to date	843,335	828,520
Less: Progress billings	(1,035,208)	(1,038,086)
	<b>191,873</b>	<b>209,566</b>

## 20. REVENUE FROM CONTRACTS WITH CUSTOMERS

### 20.1 Revenue by Project Type

	2020 UAE AED'000	2020 International AED'000	2020 Group AED'000
Energy	1,561,027	-	1,561,027
Environment	46,787	216,315	263,102
Seaborne trade	949,631	255,532	1,205,163
Tourism	52,734	60,093	112,827
Urban development	254,994	91,422	346,416
Other	274,226	13,471	287,697
<b>Total</b>	<b>3,139,399</b>	<b>636,833</b>	<b>3,776,232</b>

	2019 UAE AED'000	2019 International AED'000	2019 Group AED'000
Energy	741,125	-	741,125
Environment	48,219	197,629	245,848
Seaborne trade	926,028	94,223	1,020,251
Tourism	54,835	314,636	369,471
Urban development	306,918	-	306,918
Other	127,120	-	127,120
<b>Total</b>	<b>2,204,245</b>	<b>606,488</b>	<b>2,810,733</b>

## 20.2 Revenue by Activity

	<b>2020 UAE AED'000</b>	<b>2020 International AED'000</b>	<b>2020 Group AED'000</b>
Dredging and reclamation	1,187,207	483,607	1,670,814
Marine construction	1,348,507	48,074	1,396,581
Other	603,685	105,152	708,837
<b>Total</b>	<b>3,139,399</b>	<b>636,833</b>	<b>3,776,232</b>

	<b>2019 UAE AED'000</b>	<b>2019 International AED'000</b>	<b>2019 Group AED'000</b>
Dredging and reclamation	1,228,619	287,893	1,516,512
Marine construction	497,333	318,595	815,928
Other	478,293	-	478,293
<b>Total</b>	<b>2,204,245</b>	<b>606,488</b>	<b>2,810,733</b>

## 20.3 Timing of Revenue Recognition

	<b>2020 AED'000</b>	<b>2019 AED'000</b>
Services transferred at a point in time	-	-
Services transferred over time	3,776,232	2,810,733
<b>Total revenue from contracts with customers</b>	<b>3,776,232</b>	<b>2,810,733</b>

## 20.4 Other Information

	<b>Dredging &amp; Reclamation AED'000</b>	<b>Marine Construction AED'000</b>	<b>Other AED'000</b>	<b>Total AED'000</b>
<b>Year ended 31 December 2019</b>				
Customer 1	561,970	671,241	327,816	1,561,027
Customer 2	342,605	226,501	13,472	582,578
Customer 3	190,345	381,700	-	572,045
	<b>1,094,920</b>	<b>1,279,442</b>	<b>341,288</b>	<b>2,715,650</b>
<b>Year ended 31 December 2019</b>				
Customer 1	630,643	225,017	-	855,660
Customer 2	377,974	29,645	333,506	741,125
Customer 3	-	312,812	-	312,812
	<b>1,008,617</b>	<b>567,474</b>	<b>333,506</b>	<b>1,909,597</b>

## 21. CONTRACT COSTS

	2020 AED'000	2019 AED'000
Direct project costs	2,694,724	2,012,382
Cost of operating dredgers, support craft and boosters	421,496	379,890
Cost of workshop and stores	35,468	33,666
Other operating costs	117,218	110,923
	<b>3,268,906</b>	<b>2,536,861</b>

## 22. GENERAL AND ADMINISTRATIVE EXPENSES

	2020 AED'000	2019 AED'000
Salaries and other benefits	52,224	53,508
Board remuneration and employee bonus	38,037	52,020
Depreciation	5,760	5,107
Others	35,613	26,622
	<b>131,634</b>	<b>137,257</b>

Included in other expenses is AED 10,340 thousand (2019: AED 2,672 thousand) towards social contributions made during the year.

## 23. FINANCE COSTS AND FINANCE INCOME

### *Finance costs*

Finance costs mainly include bank interest on overdraft facilities and other bank transaction charges. Overdraft facilities carry interest at prevailing market rates.

	2019 AED'000	2019 AED'000
Interest charges	14,091	21,869
Unwinding of discount on finance lease (note 3)	403	447
	<b>14,494</b>	<b>22,316</b>

### *Finance income*

Finance income comprises income from short term deposits, which carry interest at variable market rates plus a spread.

## 24. OTHER INCOME

	2020 AED'000	2019 AED'000
Gain on disposal of property, plant and equipment	212	5,659
Dividend income	1,412	2,674
Miscellaneous income	2,524	6,987
	<b>8,906</b>	<b>15,320</b>

## 25. EARNINGS PER SHARE

Basic earnings per share amounts are 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 year.

The weighted average number of ordinary shares outstanding at the end of the reporting year was 250,000,000 shares (2019: 250,000,000 shares). There are no potentially dilutive instruments therefore the basic and diluted earnings per share are the same.

## 26. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Government of Abu Dhabi, joint ventures, Directors and key management personnel, management entities engaged by the Group and those enterprises over which the Government of Abu Dhabi, Directors, the Group or its affiliates can exercise significant influence, or which can exercise significant influence over the Group. In the ordinary course of business, the Group provides services to, and receives services from, such enterprises on terms agreed by management. The Group derives a significant portion of its UAE revenue from the Government of Abu Dhabi, its departments and related entities.

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

	2020 AED'000	2019 AED'000
Balances with Government of Abu Dhabi and related entities:		
Trade and other receivables	2,886,540	2,759,743
Balance with shareholders (excluding Government of Abu Dhabi and related entities):		
Trade and other receivables	-	1,626
Trade and other payables	1,000	1,000
Due from joint venture for project related work:		
<b>Trade and other receivables</b>	<b>637,662</b>	<b>459,849</b>

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	2019 AED'000	2019 AED'000
<i>Government of Abu Dhabi and related entities</i>		
Revenue earned during the year	2,838,495	2,388,726
<i>Joint venture</i>		
Revenue earned during the year	471,588	291,680

**Transactions with key management personnel**

Compensation of key management personnel is as follows:

	<b>2019</b> <b>AED'000</b>	<b>2018</b> <b>AED'000</b>
Salaries and other short-term benefits	<b>6,377</b>	4,393
Employees' end of service benefits	<b>492</b>	395
	<b>6,869</b>	<b>4,788</b>

**Directors' remuneration**

At the annual general meeting held on 21 June 2020, the shareholders approved a dividend of AED 0.25 per share for a total amounting to AED 62.5 million (2019: AED 62.5 million) and remuneration of the Board of Directors amounting to AED 11 million (2019: AED 11 million), relating to the year ended 31 December 2019.

**Other related party transactions**

Abu Dhabi Municipality (the "Municipality") had granted the Company the right to use the land at the Company's base facilities in Musaffah free of charge. Subsequently, starting 2005 the Municipality charges an amount of AED 240 thousand per annum for the use of this land. The charge had been revised to AED 1,952 thousand per annum during 2020 renewable on a yearly basis.

**27. CONTINGENCIES AND COMMITMENTS**

	<b>2020</b> <b>AED'000</b>	<b>2019</b> <b>AED'000</b>
Bank guarantees	<b>1,630,479</b>	1,772,166
Letters of credit	<b>157,701</b>	361,294
Capital commitments	<b>11,244</b>	196,201

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

Capital commitments comprise mainly of capital expenditure which has been contractually agreed with suppliers for future periods for new build vessels or the refurbishment of existing vessels.

**28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk, equity risk and credit risk. The Group's management reviews and agrees policies for managing each of these risks which are summarised below.

**Credit risk**

The Group seeks to limit its credit risk with respect to customers by dealing with good reputation and financially sound customers and monitoring outstanding receivables. Its 5 largest customers account for 88% (2019: 93%) of outstanding accounts receivable at 31 December 2020. The maximum exposure is the carrying amount as disclosed in note 12 to the consolidated financial statements.

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages its credit risk with respect to banks by only dealing with reputable banks..

### Liquidity risk

The Group seeks to limit its liquidity risk by ensuring bank facilities are available. As at 31 December 2020, the Group has AED 707,363 thousand (2019: AED 104,623 thousand) of utilised credit facilities from banks which is a revolving facility.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

	On demand AED '000	Less than 3 months AED'000	3 to 12 months AED'000	1 to 5 years AED'000	> 5 years AED'000	Total AED'000
<b>At 31 December 2020</b>						
Trade payables	-	2,183,321	-	-	-	2,183,321
Bank overdrafts	707,363	-	-	-	-	707,363
Short term borrowing	-	52,327	52,327	-	-	104,654
Term loan	-	-	-	118,618	148,272	266,890
<b>Total</b>	<b>707,363</b>	<b>2,235,648</b>	<b>52,327</b>	<b>118,618</b>	<b>148,272</b>	<b>3,262,228</b>
<b>At 31 December 2019</b>						
Trade payables	-	906,621	-	-	-	906,621
Bank overdrafts	104,623	-	-	-	-	104,623
Short term borrowing	-	25,000	66,667	-	-	91,667
Trade payables	-	1,075	16,615	147,972	-	165,662
<b>Total</b>	<b>104,623</b>	<b>932,696</b>	<b>83,282</b>	<b>147,972</b>	<b>-</b>	<b>1,268,573</b>

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank deposits and equity investments.

### Interest rate risk

The Group is mainly exposed to interest rate risk on bank overdrafts, short term borrowing and long term loan.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit for one year.

There is no impact on the Group's equity.

	Effect on profit AED'000
<b>2020</b>	
<b>+100 increase in basis points</b>	<b>(10,789)</b>
<b>-100 decrease in basis points</b>	<b>10,789</b>
<b>2019</b>	
+100 increase in basis points	(2,566)
-100 decrease in basis points	2,566

## Foreign currency risk

Foreign currency risk is the risk that financial instrument will fluctuate due to change in foreign exchange rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant loss due to exchange rate fluctuations and consequently the Group does not hedge its foreign currency exposure.

	2020		2019	
	Liabilities AED'000	Assets AED'000	Liabilities AED'000	Assets AED'000
Egyptian Pound (EGP)	152,632	671,162	68,099	435,232
Bahraini Dinar (BHD)	7,625	94,988	53,791	2,001
Euro	320	319,319	-	38
Saudi Riyal (SAR)	168,145	179,437	141,866	137,591
Indian Rupees (INR)	3,890	60,184	3,968	61,318
Others	-	642	-	-
	<b>332,612</b>	<b>1,325,732</b>	<b>267,724</b>	<b>636,180</b>

The Group's major transactions in foreign currencies are in Egyptian Pound (EGP), Bahraini Dinar (BHD), Euro and Indian Rupees (INR).

## Equity price risk

The Group's listed equity securities are susceptible to market price arising from uncertainties about future values of the investment securities. The Group manages equity price risk through diversification and placing limits on individual and total equity investments. The Group's management reviews and approves all investment decisions.

The following demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible fair value changes in equity prices, with all variables held constant. The effect of the decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Effect on profit AED'000
<b>Investments carried at fair value through profit or loss</b>	
<b>2020</b>	
5% change in variables	1,389
<b>2019</b>	
5% change in variables	1,355
<b>Investments carried at fair value through other comprehensive income</b>	
<b>2020</b>	
5% change in variables	-
<b>2019</b>	
5% change in variables	1,583

## Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019. Capital comprises share capital, share premium, reserves, retained earnings, and proposed dividend and is measured at AED 3,829,070 thousand as at 31 December 2020 (2019: AED 3,542,901 thousand).

## 29. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Fair value measurement recognized in the consolidated statement of financial position

The fair values of the Group's financial assets and liabilities as at 31 December 2020 are not materially different from their carrying values at the reporting date.

The following table provides the fair value measurement hierarchy of the Group's financial assets which are measured at fair value as at 31 December 2020 and 31 December 2019:

	Fair value measurement			
	Total AED'000	Quoted prices in Active markets (Level 1) AED'000	Significant observable inputs (Level 2) AED'000	Significant unobservable inputs (Level 3) AED'000
<b>As at 31 December 2020</b>				
Financial assets at fair value through other comprehensive income (FVTOCI)	27,782	27,782	-	-
<b>As at 31 December 2019</b>				
Financial assets at fair value through other comprehensive income (FVTOCI)	31,669	31,669	-	-
Financial assets at fair value through profit or loss (FVTPL)	27,097	26,154	-	943

## 30. SEGMENT INFORMATION

### Geographical segment information

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

The following table shows the Group's geographical segment analysis:

	31 December 2020 UAE AED'000	31 December 2020 International AED'000	31 December 2020 Group AED'000
Segment revenue	3,453,607	636,833	4,090,440
Intersegment revenue	-	-	(314,208)
Revenue			<u>3,776,232</u>
Segment gross profit	<u>243,803</u>	<u>263,523</u>	<u>507,326</u>
Share of profit of a joint venture	-	-	2,987
General and administrative expenses	-	-	(131,634)
Foreign currency exchange gain	-	-	(21,676)
Fair value gain on financial assets at fair value through profit or loss	-	-	685
Finance income - net	-	-	(1,623)
Other income - net	-	-	<u>8,906</u>
<b>Profit before tax for the period</b>	-	-	364,971
Income tax expense on foreign operations	-	-	<u>(13,215)</u>
<b>Profit after tax</b>			<b>351,756</b>
<b>Total assets</b>	<b>5,740,599</b>	<b>1,490,764</b>	<b>7,231,363</b>
<b>Total liabilities</b>	<b>1,936,118</b>	<b>1,466,175</b>	<b>3,402,293</b>

	31 December 2019 UAE AED'000	31 December 2019 International AED'000	31 December 2019 Group AED'000
Segment revenue	2,968,733	426,743	3,395,476
Intersegment revenue	-	-	(584,743)
Revenue			<u>2,810,733</u>
Segment gross profit	<u>219,044</u>	<u>54,828</u>	<u>273,872</u>
Share of profit of a joint venture	-	-	1,245
General and administrative expenses	-	-	(137,257)
Foreign currency exchange gain	-	-	36,845
Fair value gain on financial assets at fair value through profit or loss	-	-	1,097
Finance income - net	-	-	51
Other income - net	-	-	<u>15,320</u>
<b>Profit before tax for the period</b>	-	-	191,173
Income tax expense on foreign operations	-	-	<u>(10,329)</u>
<b>Profit after tax</b>			<b>180,844</b>
<b>Total assets</b>	<b>4,577,726</b>	<b>1,189,873</b>	<b>5,766,705</b>
<b>Total liabilities</b>	<b>1,209,495</b>	<b>1,014,309</b>	<b>2,223,804</b>

## 31. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

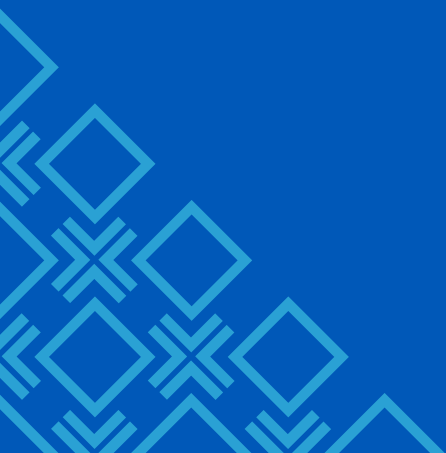
The consolidated financial statements were approved by the Board of Directors and authorised for issue on 28 February 2021.





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# Corporate Governance Report 2020



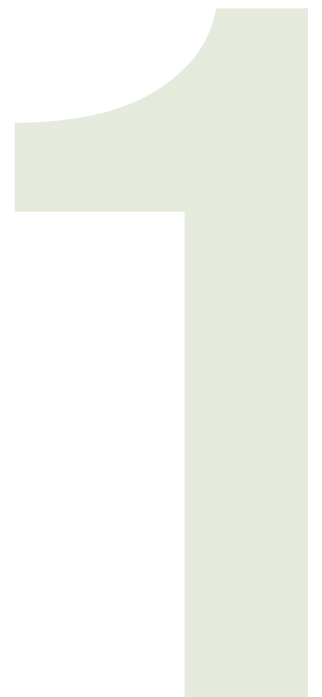




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**NMDC**

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# INTRODUCTION

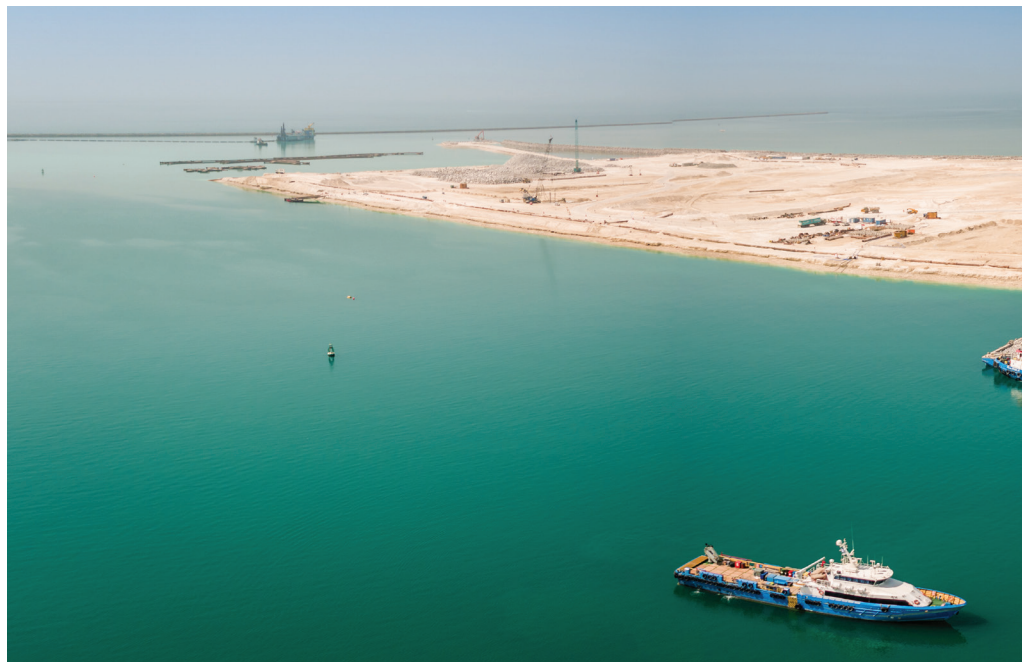


# INTRODUCTION

National Marine Dredging Company (hereafter referred as “NMDC” or the “Company”) is operating in an evolving global environment of diverse expectations, constant regulatory change, and increasing focus on stakeholder engagement and accountability.

We acknowledge that the environment in which we operate provides challenges from a governance and regulatory perspective; however, we are confident that our commitment to adopting and complying with good corporate governance practices, and our culture and values will continue, as ever, to provide the group with a strong foundation that will enable the Board of Directors and the Company to meet these challenges going forward.

The purpose of this document is to report on the corporate governance framework at NMDC, in accordance with Resolution No. 3 of 2020 concerning Approval of Joint Stock Companies Governance Guide (hereafter referred as “Corporate Governance Guide”) issued by the Securities and Commodities Authority (hereafter referred as “SCA”) and as amended from time to time.



## This report includes a discussion on the following:

1. Corporate Governance Practices - the principles of the Company's corporate governance framework and the approach the Company takes to the implementation of these principles;
2. Board of Directors (the Board) - the role of the Board in connection with the Company's corporate governance framework, the structure and composition of the Board, the terms of membership of the Directors including membership in other joint stock companies and details about their remuneration from the company;
3. Directors' Dealings in NMDC Securities - a description of the Company's share dealing policy, and the company's approach to ensuring that it complies with its disclosure obligations relating to Directors' dealings in NMDC securities;
4. External Auditors - a brief about the Auditor company, including a statement of the fees and expenses relating to auditing or other services provided by the Company's External Auditor, and their qualified opinion on the interim and annual financial statements;
5. Board Committees - a description of the composition, functions and responsibilities of the four Board Committees – Audit Committee, Nomination and Remuneration Committee, Strategy Committee and Technical Committee;
6. Internal Control System - a description of the Company's internal control system, and the Company's approach to comply with that system;
7. Company's Contribution – in development of local community and environment protection during the year 2020; and

General Information - other information requested by SCA, including price movement of Company's shares, breakdown of share ownership, statement of significant events encountered by the Company, innovative projects and initiatives, Emiratization percentage, investor relations and any corporate governance violations committed during 2020.







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# CORPORATE GOVERNANCE PRACTICES



## 2.1. Corporate Governance Rules

The Board of NMDC is committed to implementing strong corporate governance practices to a standard derived from amalgam of UAE guidelines and international best practices. Underpinning these legislative, regulatory and best practice requirements are NMDC's values and philosophies, which provide the framework against which we measure behavior and practices to assess the characteristics of good governance. Our values require that directors and employees act with integrity and conduct themselves to promote and maintain trust.

Sound corporate governance is therefore implicit in our values, culture, processes, functions and organizational structure. Structures are designed to ensure that our values remain embedded in all businesses and processes. We continually refine these structures and a written statement of values serves as our code of ethics. NMDC undertakes a frequent review of its strategic and operational environment, including communication with its stakeholders, in order to determine an appropriate balance, scope and sophistication of the corporate governance framework which is proportionate to NMDC's nature, size and complexity.

The corporate governance culture of NMDC is driven by:

- A well informed and effective Board to direct the Company's affairs and set its objectives;
- Clearly defined roles and responsibilities of the Board, its members, its committees, and key Company officers and executives;
- Selection of productive strategies and management of risks;
- Appropriate delegation and monitoring of responsibility and accountability to Management;
- Satisfying the interests of stakeholders through relevant and material disclosures;
- Ensuring compliance with all regulatory obligations;
- Ensuring that the Company's performance and financial reporting are properly directed and controlled through an effective internal control system;
- Engaging with the community; and
- Adopting high ethical standards and practices by the Company, its officers, and employees.

To achieve these aims, and to ensure compliance with the specific requirements of the Corporate Governance Guide issued by SCA, the Company has developed and implemented its Corporate Governance Manual, which contains policies on the following subjects:

- Board and Director Matters;
- Board Committees and their Charters;
- Delegation of Authority;
- Relationship with Shareholders;
- Company's Disclosure Obligations;
- Internal Control System;
- Engagement of Auditors;
- Code of Conduct; and
- Share Dealing Policy.

The Board is currently reviewing the Corporate Governance Guide and amendments in Federal Law No. 2 of 2015 concerning commercial Companies and will update the Corporate Governance Manual to align with these requirements.

The Board is responsible to the Company's shareholders for creating and delivering sustainable value through the management of the Company's businesses. Although day-to-day management of these businesses is delegated to the Management, the Board is responsible for providing strategic direction, management supervision and adequate controls with the ultimate objective of promoting the success and long-term value of the Company. The Board retains responsibility for the overall performance of the Company, and must ensure that Management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives.

## 2.2. Corporate Governance Structure

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Corporate Governance is the system by which the business of the Company is directed and controlled. The implemented corporate governance structure specifies the distribution of rights and responsibilities among different stakeholders within the Company, such as, the Board Chairman, Chief Executive Officer, Chief Officers, Managers and shareholders; and establishes the rules and procedures for making decisions on corporate affairs. The primary goal of the Company's corporate governance policy is to create and sustain value within the Company.

The Company believes that it is important that these principles of governance are made transparent to all the stakeholders and to safeguard their rights and promote their participation in the Company's corporate governance process.

The Board plays a central role in the Company's corporate governance framework. It is ultimately responsible for ensuring that the Company complies with its legal and regulatory obligations, the Company's Memorandum and Articles of Association, and its duties to shareholders. The Board is assisted in this process by various Board committees (particularly Audit Committee, Nomination and Remuneration Committee, Technical Committee and Strategy Committee), external and internal auditors, and company officers and employees (including the Chief Executive Officer, Chief Financial Officer, Head of Internal Control and other members of Management).

In addition to the Articles of Association and regulating laws, the NMDC Board has approved a wide range of charters, codes, policies and carefully defined business structures and processes in order to record their decisions and delegations, and regulate the operations and overview activities of the Company and its subsidiaries. The Board has also issued general principles of behavior and personal conduct for which all directors and staff are accountable as individuals and as a collective entity.

## 2.3. Disclosure Practices

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The Company is committed to comply with all of its disclosure obligations, including to the SCA, the Abu Dhabi Stock Exchange (hereafter referred as “ADX”) and to shareholders, so that trading in its shares can take place in an informed market. In 2020, the Company made regular disclosures to SCA and ADX including upcoming Board meetings and decisions, publication of Annual Report, Corporate Governance Report and other announcements on key financial and/or operational matters/ transactions, copies of which are generally available or updated on the Company’s website.

## 2.4. Delegation of Authority

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The Board bears ultimate responsibility for the operations of the Company, and within the provisions of the Articles of Association, UAE Companies Law and approved Corporate Policies and Procedures, the Board has the authority to delegate its powers to the committees and senior management.

The Board has approved revised Delegation of Authority in 2020. The revised Delegation of Authority outlines authority limits delegated by the Board to the executive committees, management and employees in order to run the Company’s affairs and operations within the United Arab Emirates and overseas locations.

The Board has also delegated certain authority to its committees, being the Audit Committee, the Nomination and Remuneration Committee, the Strategy Committee and the Technical Committee, as defined within their Charters, and updates to which were approved in 2019.

## 2.5. Code of Business Conduct and Fraud Control Policy

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The Company recognizes the importance of establishing and maintaining a set of core values and approaches to the process of doing business. The Company demands, and will maintain, the highest ethical standards in its business activities through a detailed Code of Business Conduct and Fraud Control Policies, which address the following areas:

- Compliance with Laws, Rules and Regulations;
- Personal Conduct;
- Standard of Conduct;
- Confidentiality and Intellectual Property Rights;
- Integrity and Conflicts of Interest;
- Competition and Fair Dealing;

- Corporate Opportunities;
- Protection and Proper Use of the Company's Assets;
- Environment and Community Service;
- Health and Safety;
- Reporting any Violations of the Code;
- Compliance Procedure; and
- Disclosure in Reports and Documents.

Company officers and employees are required to comply with these Codes in performing their duties.

## 2.6. Director's Induction Policy

The Company's policy on director induction requires all new Directors to participate in the Company's induction program. This program includes presentations by Management to familiarize new Directors with the Company's objective and strategic plans, business operations and activities, business units and departments, and principal officers and employees. The program aims at providing the information required to ensure that a new Director understands his/her duties and responsibilities under the applicable laws and regulations, the Company's corporate governance framework, and understands the Company's policies in its field of operations.

## 2.7. Share Dealing Policy

The purpose of the Company's share dealing policy is to ensure that the Company's Directors and employees (and their Connected Persons) do not deal or trade in securities issued by the Company or its subsidiary or sister companies based on undisclosed confidential information or in circumstances of conflict.

The Company's share dealing policy is that no Director or employee of the Company (or any subsidiary or other company controlled by the Company) may Deal in the Securities of the Company whilst they are in possession of any information which could affect the price of the Securities of the Company, where such information has not been disclosed to the ADX. Directors who are not in such possession may only deal in the securities of the Company with the prior written consent of the Chairman (or, in his absence, of the Vice-Chairman), whilst employees who are not in such possession may only do so with the prior written consent of the CEO (or, in his absence, the Company Secretary).

This policy does not avoid the need to obtain the consent of the ADX Board of Directors before trading in the Company's Securities, and does not permit any Director or employee to Deal in the Securities of the Company during any Blackout Period, as defined Company's Corporate Governance Manual. This policy is also in addition to, and does not avoid the legal requirement to comply with, any applicable laws or regulations. Directors and employees remain personally liable for their non-compliance with any applicable laws and regulations.

## 2.8. Follow-up & Supervision Committee

The Follow-up & Supervision Committee has responsibility for the Register of Insiders including monitoring, follow up, supervising and managing the dealings of all Insiders, registering their dealings and ownership in the Register and to communicate and report to ADX regularly on all such matters.

The Follow-up & Supervision Committee comprises of the following members:

Name	Position	Designation
Mr. Kashif Nawaz Shaikh	Head of Internal Control	Committee Head
Mr. Mohammed Al Falahi	Purchasing Manager	Committee Member
Mr. Khaled Shalati	Investor Relation Officer	Committee Member

Mr. Kashif Nawaz Shaikh acknowledges his responsibility for the follow-up & supervision system on transactions of the insiders in the Company, review of its work mechanism and ensuring its effectiveness.

The Committee in 2020 regularly reviewed and updated the Register of Insiders. Further, in line with ADX regulations and NMDC Corporate Governance Manual, notifications were communicated to Insiders for blackout periods. There was no trading conducted by Insiders during year 2020.



## 2.9. Transactions in Company's Securities by Board Members

The Board and the individual Directors, as well as Company Management understand their obligations with respect to disclosure requirements, in connection with their dealings in NMDC securities and are compliant with all requirements set by SCA and ADX.

The table below provides details of dealing in NMDC securities and balances as at 31 December 2020, by current Board Members and their wives, sons and daughters.

Name	Position/ Relationship	Shares Held as at 31/12/2020	Total Sale Transactions	Total Purchase Transactions
Mr. Abdul Ghafar Abdul Khaleq Al Khouri	Member	5,999,999	-	-
	Son	3,199	-	-
	Son	3,199	-	-
	Son	3,199	-	-
	Son	3,199	-	-
	Daughter	3,199	-	-
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	Member	201,893	-	-
Mr. Mohamed Ahmed Al Qamzi	Wife	53,999	-	-
Mr. Majed Ahmed Omar Al-Kurbi	Member	5,290,699	170,000	-







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# BOARD OF DIRECTORS

# 3

## 3.1. Role of the Board

The Board is responsible to the Company's shareholders for creating and delivering sustainable value through oversight of the Company's business. In particular, the Board is responsible for providing strategic direction, management supervision and adequate controls, with the objective of promoting success and long-term value of the Company, and is accountable for performance and affairs of NMDC.

The Board also plays a central role in the Company's corporate governance framework. The Board has adopted a Corporate Governance Manual, which provides a framework of how the Board operates as well as the type of decisions to be taken by the Board and which decisions should be delegated to Management. The Board is ultimately responsible for ensuring that the Company complies with its legal and regulatory obligations, the Company's Memorandum and Articles of Association, and its duties to shareholders.

The following is a list of some of the key specific responsibilities of the Board:

- Taking the necessary procedures to ensure compliance with applicable laws, regulations, resolutions and requirements of the regulatory authorities.
- Approval of the strategic approaches and main objectives of the Company, and supervising implementation thereof.
- Taking the steps sufficient to ensure efficient internal control of the work flow in the Company
- Establishing an internal control department to follow up compliance to the applicable laws, regulations, and resolutions, requirements of the regulatory bodies, and the internal policy, rules, and procedures set by the Board of Directors.
- Setting written procedures to regulate conflict of interests and deal with potential cases of such conflict for Board members, the senior executive management, and shareholders, and setting the procedures to be taken in cases of misuse of the Company's assets and facilities or misconduct resulting from transactions with Related Parties.
- Ensuring soundness of administrative, financial, and accounting rules, including the rules related to preparation of financial reports.
- Ensuring the use of appropriate regulatory systems for risk management by outlining potential risk and discussing it with transparency.
- Setting clear and precise standards and procedures for Board membership and putting them in force subsequent to approval of the general assembly.
- Setting a clear authorization policy in the Company to determine authorized persons and the powers assigned to them.
- Setting a policy that regulates the relationship with stakeholders in a manner that ensures the Company's fulfilment of its obligations towards them, preserving their rights, providing them with required information, and establishing sound relations with them.
- Setting code of conduct for Board members, employees, auditor, and persons assigned some of the Company's works.
- Setting procedures to apply governance rules in the Company, review of such procedures, and assessment of compliance thereto on annual basis.

- Designing appropriate training programs for Board members to enhance and update their knowledge and skills and ensure effective participation in the Board of Directors, and ensure compliance with any training or qualifying programs determined by the SCA or the Market.
- Familiarizing a newly appointed Board member with all the Company's departments and sections, and providing them with all the information required to ensure correct understanding of the Company's activities and works, and full realization of their responsibilities, all that enables them to perform their duties duly in accordance with the enforced legislations, all other regulatory requirements, and the Company's policies in its field of business.
- Setting procedures to prevent employees who have access to information from using the Company's confidential internal information to make tangible or intangible gains.
- Devising a mechanism for receiving shareholders' complaints and proposals including their proposals concerning particular issues in the general assembly's agenda in a manner that ensures studying such proposals and making the right decisions about them.
- Approval of the rules on which basis incentives, bonuses, and special privileges shall be granted to Board members and senior executive management in a manner that furthers the Company's interest and helps achieve its objectives.
- Setting the Company's policy of disclosure and transparency and follow up of implementation thereof in accordance with the requirements of the regulatory authorities and applicable legislations.
- Setting a clear policy for distribution of the Company's profits in a manner that furthers the interests of both the shareholders and Company, and it should be displayed to shareholders in the meeting of the general assembly and it should be mentioned in the Board of Directors' report.

## 3.2. Composition of the Board

NMDC Board of Directors comprises of the following members

Name	Designation	Membership Category	Year of Initial Appointment
<b>Mr. Mohamed Thani Murshid Al Rumaithi</b>	Chairman	Non-Executive	2007
<b>Mr. Khalifa Mohamed Abdul Aziz Rubaya Al Muhairy</b>	Vice Chairman	Non-Executive	2004
<b>Mr. Abdul Ghaffar Abdul Khaleq Al Khouri</b>	Member	Non-Executive	2007
<b>Mr. Mohamed Ahmed Al Qamzi</b>	Member	Independent	2013
<b>Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy</b>	Member	Non-Executive	2007
<b>Mr. Mohamed Rashed Mubarak Al Kitbi</b>	Member	Non-Executive	2010
<b>Mr. Dagher Darwish Al Marar</b>	Member	Non-Executive	2016
<b>Dr. Mohamed Rashid Ahmed Khalaf Al Hamli</b>	Member	Independent	2019
<b>Mr. Majed Ahmed Al Kurbi</b>	Member	Independent	2019

All of the above Directors are considered as non-executive and/or independent, according to the definitions used in the Corporate Governance Guide. In particular, the Guide states that a Director is non-executive if they are not employed by the Company, or who do not receive a monthly or annual salary from the Company. All of the Directors satisfy this definition and are thus considered as non-executive Directors.

The Corporate Governance Guide highlights that a board member shall lose his/ her independency in the following cases:

- If a Board member or any of his/her second-degree relatives work or worked at the senior executive management of the Company or its subsidiary company during the two years preceding his/her nomination for Board membership.
- If a Board member or any of his/her first-degree relatives has a direct or indirect interest in the contracts and projects of the Company or its subsidiary companies during the last two years and the total of such transactions exceeds (5%) of the company's paid-up capital or the amount of AED 5 million or its equivalent amount in a foreign currency, the lesser of the two, unless such relationship is part of the nature of the Company's business and involves no preferential conditions.
- If a Board member works or worked for the Company or its subsidiaries during the last two years preceding the date of his appointment to the Board.
- If a Board member works for or is a partner in a company that performs consulting works for the Company or any of its subsidiary companies, sister companies, affiliate companies or any parties related thereto during last two years.
- If a Board member has entered into personal services contracts with the Company or any of its subsidiary companies, sister companies, or affiliate companies during last two years.
- If a Board member is directly engaged in a non-profit organization that receives sizeable finances from the Company or a party related thereto.
- If a Board member or any of his/her relatives is a partner or employee of the Company's auditor, or if he/she was a partner or employee of the Company's auditor or auditing office during the two years preceding his/her occupying a seat in the Board of Directors.
- If a Board member and/or any of his/her underage children own (10%) or more of the Company's capital.
- If a Board member is selected for a fourth consecutive term.

Independence of a Board member shall not be affected for the reason of only being an employee of the parent company or any of its subsidiary companies in case any of such companies is owned by the government or in case at least (75%) of the parent or subsidiary companies is owned by the government.

Four of the Board has lost its independence due to condition laid down in Corporate Governance Guide regarding selection for a fourth consecutive terms. However the Company is committed to rectify the same in the next Annual General Assembly of the shareholders.

### 3.3. Representation of Female Members in the Board of Directors

The Company's Board was re-constituted during 2019 for which the Company sent out advertisements in line with applicable law and regulations seeking nominations for the Board from eligible members.

The Nomination and Remunerations Committee of the Board reviewed the nominations received as per the Company's Articles of Association and applicable regulations; however, no female member nomination was received. Therefore, there is no female representation in the current Board of Directors.

### 3.4. Director's Qualification and Experience

The current NMDC Board of Directors' qualifications and experience are as follows:

Name	Qualification	Exp.	Membership in Other Joint Stock Companies	Other Memberships
Mr. Mohamed Thani Murshid Al Rumaithi	Businessman	20+ Years	<ul style="list-style-type: none"> <li>Board Member of First Abu Dhabi Bank</li> </ul>	<ul style="list-style-type: none"> <li>President of Federation of UAE Chambers of Commerce &amp; Industry</li> <li>Chairman of Abu Dhabi Chamber of Commerce &amp; Industry</li> <li>Chairman of Thani Murshed Uniliver</li> </ul>
Mr. Khalifa Mohamed Abdul Aziz Rubaya Al Muhairy	Bachelor Degree in Accounting & Business Management	20+ Years	<ul style="list-style-type: none"> <li>Chairman of Al-Khazna Insurance Company</li> </ul>	<ul style="list-style-type: none"> <li>Vice Chairman of Al-Rubaya Group</li> <li>Chairman of Abu Dhabi Holding</li> </ul>
Mr. Mohamed Ahmed Al Qamzi	Bachelor of Science in Management, EMBA, PLD	20+ Years	-	<ul style="list-style-type: none"> <li>Advisor, HH Managing Director Office at Abu Dhabi Investment Authority</li> <li>Board Member of Khalidiya Co-operative Society</li> <li>Member of National Consultative Council</li> </ul>
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri	Businessman	20+ Years	-	<ul style="list-style-type: none"> <li>CEO of Abdul Khaleq Al Khouri &amp; Sons Company.</li> <li>Managing Director of Milipol International Company.</li> </ul>
Mr. Mohamed Rashed Mubarak Al Kitbi	Businessman	20+ Years	-	-
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	Businessman	15+ Years	-	<ul style="list-style-type: none"> <li>Managing Director of Electromechanical Company.</li> <li>Board Member of Al-Rubaya Group</li> </ul>
Mr. Dagher Darwish Al Marar	Master of International Relations The University of Queensland	20+ Years	-	<ul style="list-style-type: none"> <li>Head of Strategy and Business Development at Abu Dhabi National Oil Company.</li> </ul>
Dr. Mohamed Rashid Ahmed Khalaf Al Hamli	PHD	24+ Years	-	<ul style="list-style-type: none"> <li>Secretary General of Abu Dhabi Executive Council</li> <li>Chairman of Emirates Steel Company</li> </ul>
Mr. Majed Ahmed Al Kurbi	Bachelor Degree in Mechanical Engineering	10+ Years	-	-

### 3.5. Directors Remunerations

The Company's General Assembly determines remuneration of the Board of Directors on an annual basis. According to the Company's Articles of Association and the Corporate Governance Guide, the

Director's remuneration cannot exceed 10% of net profits of the Company, after deducting depreciations and statutory reserve.

The Nomination and Remuneration Committee is also required to review, at least annually, the remuneration proposed to be paid to Directors, whether in their capacity as members of the Board or of the Board Committees, and make recommendations to the Board as considered appropriate.

In 2020, the Board of Directors were paid remuneration of AED 11 million in respect to financial year 2019. The Company has made a provision of AED 50 million towards Board remuneration and employee bonuses for 2020. Further, this report will be updated with the bonus amounts once decided.

Apart from above provision for bonuses, no other remuneration or allowances have been paid / proposed to be paid to Board members for attending the meetings of the Board or membership remuneration in the committees formed by the Board for year 2020.

### 3.6. Board of Directors Meeting

The Board of Directors held six (6) meetings during 2020 on the following dates:

Name	Meeting 1 09/2/2020	Meeting 2 02/3/2020	Meeting 3 19/8/2020	Meeting 4 02/9/2020	Meeting 5 08/11/2020	Meeting 6 11/11/2020
Mr. Mohamed Thani Murshid Al Rumaithi	✓	✓	✓	✓	✓	✓
Mr. Khalifa Mohamed Abdul Aziz Rubaya Al Muhairy	Note 1	✓	✓	✓	✓	✓
Mr. Mohamed Ahmed Al Qamzi	✓	✓	✓	Note 1	✓	✓
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri	✓	✓	✓	✓	✓	✓
Mr. Mohamed Rashed Mubarak Al Kitbi	✓	✓	✓	✓	✓	✓
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	✓	✓	✓	✓	✓	✓
Mr. Dagher Darwish Al Marar	✓	✓	✓	✓	✓	✓
Dr. Mohamed Rashid Ahmed Al Hamli	✓	✓	✓	✓	✓	✓
Mr. Majed Ahmed Al-Karbi	✓	✓	✓	✓	✓	✓

✓ refers to attendance

✗ refers to absence

**Note 1:** This Board member did not attend the Board of Directors meeting but had signed a proxy to other Board member.

## 3.7. Board Secretary

The position of Board Secretary in 2020 was held by external consultant Allen and Overy, an international law firm which was appointed in 2012. Allen & Overy have over 5,500 people, 2,800 lawyers, over 550 partners and over 40 offices in 30 different countries. Their team advises both sponsors and investors – including private equity houses, government entities, financial institutions and corporate clients – on fund establishment and related issues, including Shari’a aspects of fund structures. They have significant experience of advising clients on commercial disputes and breach of contract claims and in particular those under the laws of the GCC. In addition, they have extensive experience in drafting laws, regulation, legislation and acting on arbitrations that include disputes across the Middle East, including in Saudi Arabia, the UAE, Iraq, Oman, Bahrain, Egypt and Jordan.

Statement of their duties during the year were the following:

- Preparing and sending invitations for Board of Directors meetings
- Distributing Board of Directors Meeting Agenda
- Taking minutes of meeting during Board of Directors meeting
- Providing legal advisory to the Board of Directors when needed

## 3.8. Duties and Competencies of the Board performed by Executive Management

Under the Articles of Association, and by virtue of various resolutions, the Board of Directors of the Company have delegated to the other committees of the Board, the CEO or other officers, the authority to transact business on behalf of the Company. To that end, the Board has delegated to the CEO authority to conduct the business of the Company within the UAE and abroad, and to carry out all acts reasonably necessary to fulfil the Company’s objects with certain financial limits.

Details of the Special Power of Attorney as follows:

Name of Authorized Person	Duration of Authorization
Mr. Yasser Zaghloul	27 August 2019 to 26 August 2022

Specifically, the Special Power of Attorneys, which is signed by the Chairman of the Board, authorize the CEO (Mr. Yasser Zaghloul) to perform the following:

- Sign all correspondence of the Company before Governmental and Local Departments;
- Complete legal transactions on behalf of the Company in accordance with the Company’s policies and procedures;
- Address, send and receive notices and warnings on behalf of the Company;

- Visit all Federal or Local Departments and establishments for completing and signing all the administrative, legal and judicial requirements of the Company's business;
- Sign all bids, tenders, supply contracts and projects contracts executed by the Company or on its behalf via subcontracting;
- Sign sale contracts for selling materials, vehicles, sea parts or metals that the Company wishes to dispose of and sell to third parties; and
- The right to authorise third parties to do all or some of the powers conferred upon him.

## 3.9. Dealing with Other Concerned Parties

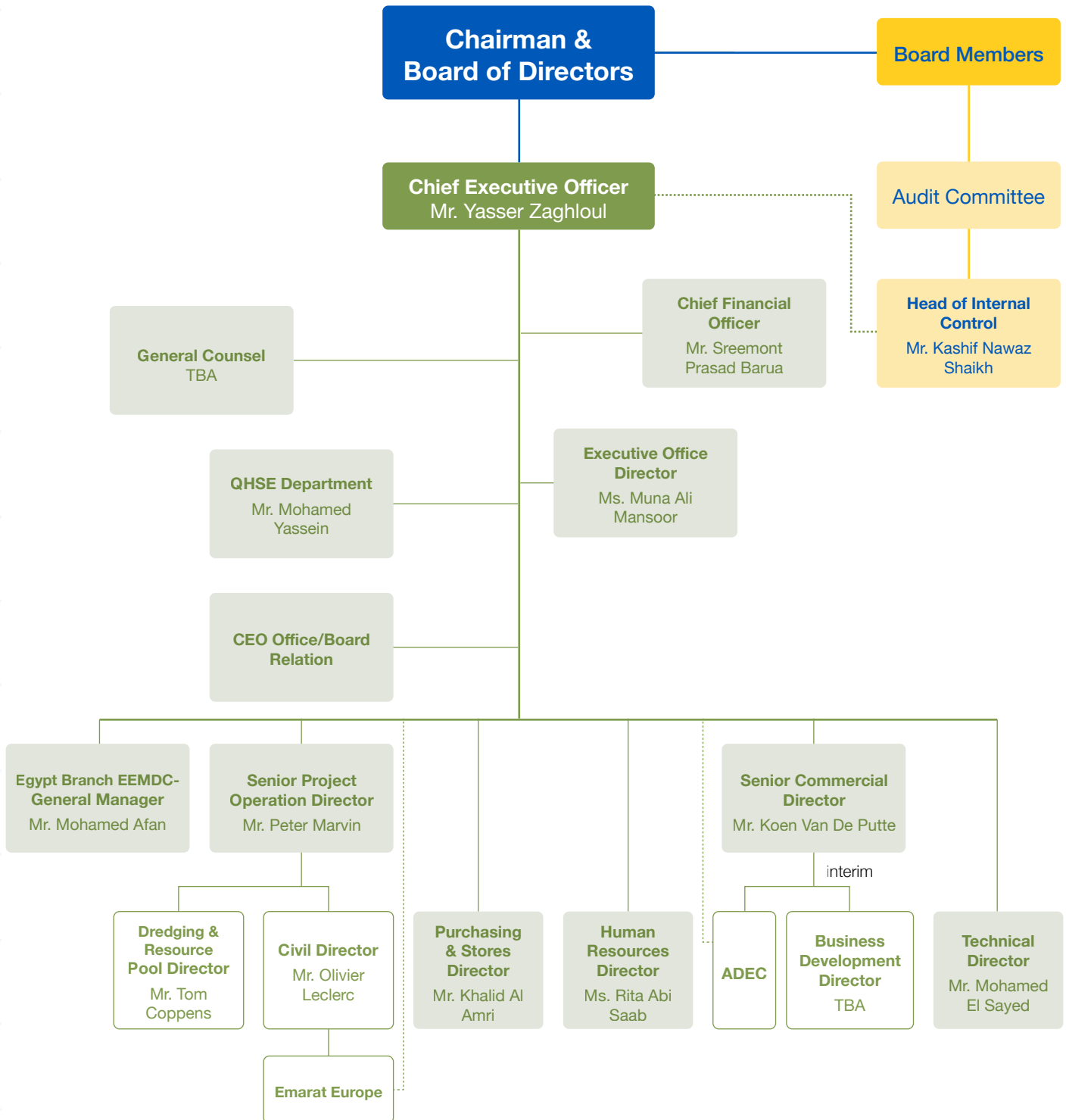
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During 2020, no transactions have been made with related parties.

## 3.10. Executive Management

The CEO, supported by the Management team, is responsible for the day-to-day management of the Company's businesses.

The following illustrates Organization Structure of the Company.



The table below details the current Executive Management team at NMDC, along with their date of appointment, salaries, allowances and bonuses paid to them for the financial year 2020:

Position	Date of Appointment	Total Salaries and Allowances paid in 2020 (AED)	Total Bonuses for 2020 (AED)	Any other Cash/ in-kind benefits for 2020
Chief Executive Officer	1-Jan-10	6,087,480	Note 1	-
Chief Financial Officer	18-Jun-18	1,205,645	Note 1	-
Senior Commercial Director	1-Jun-14	1,619,538	Note 1	-
Senior Operation Director	16-Dec-18	1,569,538	Note 1	-
Purchasing & Stores Director	19-May-16	993,181	Note 1	-
Civil Director	22-Aug-19	1,295,422	Note 1	-
Dredging and Performance Director	16-Jan-19	1,263,440	Note 1	-
Technical Director	1-Jan-19	1,003,309	Note 1	-
Human Resources Director	15-Jan-18	810,036	Note 1	-
Director - Executive Office	1-Mar-18	564,860	Note 1	-

**Note 1:** Till the date of this report the Board of Directors have not finalized bonus for the Executive Management of the Company for 2020. Further, this report will be updated with the bonus amounts once decided







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# External Auditors

# 4

## 4.1. Appointment of External Auditors

The Company's External Auditors appointed for the year 2020 are Ernst & Young (EY). EY is a US\$ 31.4 billion global professional services organization with over 247,570 employees in more than 150 countries. They are global leaders in providing assurance, tax, transaction and advisory services.

The Audit Committee, after consideration and evaluation recommended appointment of EY as the External Auditors for 2020. They were appointed as the Company's Auditor for the financial year 2020 by a shareholders' resolution at the Company's Annual General Meeting held on 21 June 2020.

## 4.2. External Auditors Independence

The Company adopts a policy on external auditors' independence by which the external auditor may not, while assuming the auditing of the Company's financial statements, perform any technical, administrative or consultation services or works in connection with its assumed duties that may affect its decisions and independence or any services or works that, in the discretion of SCA, may not be rendered by the external auditor.

The Company's policy includes measures to ensure the external auditors' independence, including the following:

- The Board nominates the external auditor, generally upon the recommendation of the Audit Committee;
- The appointment of the external auditor is made by a resolution of the Company's Annual General Meeting, for a period of one year renewable;
- The external auditor should be independent from the Company and its Board and may not be a partner, agent or a relative, even of the fourth degree, of any founder or director of the Company; and
- Review and approval by the Audit Committee for any proposed additional services from the external auditors.

Management obtains comfort on independence of the appointed external audit firm through direct inquiry to the firm on independence of the external audit engagement team. Such independence is also reiterated by the appointed auditors during their quarterly presentation to the Audit Committee/ Board.

## 4.3. External Auditors Fees

External auditor details for the year 2020 are mentioned below:

<b>Name of Auditing Firm</b>	<b>Ernst &amp; Young</b>
Name of Audit Partner	Mr. Ahmed Al Dali
Number of years served as an external auditor for the Company	3 years
Total fees for auditing the financial statements of 2020	AED 672,200

During 2020, EY has provided other professional services including tax consultancy services amounting to AED 101,200.

## 4.4. Services received from other External Audit Firms

Services received from other external audit firms in 2020 include:

Service Provider	Nature of Service	Value of Service (AED)
KPMG Lower Gulf Limited	Tax Advisory and Consultancy Services	2,975,733
Deloitte & Touche	Various Consultancy Services	747,066

## 4.5. Qualified Opinion of External Auditors

The qualified opinions made by the external auditors EY in the financial statements for 2020 were as follows:

### **Basis of Qualified Conclusion in Interim and Annual Financial Statements:**

Trade and other receivables at 31 December 2020 include unbilled receivables relating to certain contracts with the Government of Abu Dhabi, its departments or its related parties. We were unable to obtain sufficient and appropriate evidence to support the recoverability of amounts totalling AED 455,049 thousand (verbal contracts) and AED 150,621 thousand (signed contracts) included in these balances, due to the absence of signed contracts and/or significant delays in the billing and collection. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

### **Emphasis of matters in Interim and Annual Financial Statements:**

As stated in note to the accompanying consolidated financial statements, unbilled receivables include an amount of AED 600,000 thousand recognized on the basis of claims submitted to a customer in prior periods. The final amount of the claims is still under negotiation and is subject to a review by a consultant, the finalization of which could have a significant impact on the amount of receivables recognized. Our opinion is not qualified in respect of this matter.







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# Board Committees

# 5

## 5. Board Committees

The following Board committees have been established by a resolution of the Board, and comprise of non-executive/ independent Board members:

Name of Board Committee	Members
Audit Committee (AC)	Mr. Mohamed Ahmed Al Qamzi (Chairman) Mr. Mohamed Rashed Mubarak Al Kitbi (Member) Mr. Abdul Ghaffar Abdul Khaleq Al Khouri (Member) Mr. Dagher Darwish Al Marar (Member)
Nomination & Remuneration Committee (N&RC)	Mr. Abdul Ghaffar Abdul Khaleq Al Khouri (Chairman) Mr. Mohamed Ahmed Al Qamzi (Member) Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy (Member) Mr. Mohamed Rashed Mubarak Al Kitbi (Member)
Technical Committee (TC)	Mr. Dagher Darwish Al Marar (Chairman) Mr. Abdul Ghaffar Abdul Khaleq Al Khouri (Member) Mr. Majed Ahmed Omar Al Kurbi (Member)
Strategy Committee (SC)*	Mr. Mohamed Ahmed Al Qamzi (Chairman) Mr. Abdul Ghaffar Abdul Khaleq Al Khouri (Member) Mr. Dagher Darwish Al Marar (Member) Mr. Majed Omar Al Kurbi (Member)

\* The Committee was reconstituted on 9<sup>th</sup> February 2020 during Board of Directors meeting no.1 of 2020.

The Company has adopted formal Charters for each of these Board committees, which details the composition, duties, and responsibilities of each committee, amongst other things. These Charters are also compliant with requirements of the Corporate Governance Guide.

The following conditions govern relationship between the Board and its committees as per the Company's Corporate Governance Manual:

- Reporting to the Board: Each committee will report regularly to the Board about their activities and the exercise of their powers. This includes updating the Board at each Board meeting of all decisions and resolutions passed by the committees since the last Board meeting;
- Annual Evaluation: Each committee will evaluate its workings under its relevant Charters on an annual basis, with a view of improving workings of the relevant committee or its relationship with the Board; and
- Board Follow-up: The Board will follow up the operations of the committees to ensure that they are adhering to their Charters.

## 5.1. Audit Committee

Mr. Mohamed Ahmed Al Qamzi, Audit Committee Chairman, acknowledges his responsibility for the Committee system in the Company, review of its work mechanism and ensuring its effectiveness.

The role of the Committee is to review the Company's financial and accounting policies and procedures, monitor integrity of the Company's reports and financial information, implement policy for selection of Company auditor and provide recommendation to the Board, review and assess internal control and risk management systems, set up rules to enable confidentially reporting of violations, and ensure implementation of code of conduct.

The duties and responsibilities of the Audit Committee are specified in the approved Audit Committee Charter. In particular, the Audit Committee has following key duties and responsibilities:

- Overseeing integrity of and reviewing the Company's financial statements including quarterly and annual reports;
- Developing and applying the policy for selection of external auditors, and following up and overseeing qualifications, independence and performance of the external auditor;
- Overseeing qualifications, independence and performance of the Company's internal audit staff, and approving the annual audit plan prepared by internal auditors;
- Reviewing the external and internal auditors' management letters, reports and recommendations, and management responses, and overseeing implementation of action plans recommended;
- Reviewing the Company's financial control, internal control and risk management systems;
- Overseeing scope of the Company's compliance with its Code of Conduct and its various legal and regulatory obligations; and
- Review or investigate any allegations of fraud or theft, which are brought to the Audit Committee's attention, which are made by or against employees or directors, and make appropriate recommendations to the Board.

The Audit Committee held eight (8) meetings during the year 2020 to discharge the duties as entrusted to them by the Board and the Corporate Governance Guide. Following are the details of meetings held during 2020:

Name	Meeting 1 19/1/20	Meeting 2 09/2/20	Meeting 3 22/3/20	Meeting 4 06/5/20	Meeting 5 03/6/20	Meeting 6 05/8/20	Meeting 7 19/8/20	Meeting 8 08/11/20
Mr. Mohamed Ahmed Al Qamzi (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Mohamed Rashed Mubarak Al Kitbi	Note 1	✓	✓	✓	✓	✓	✓	✓
Mr. Abdul Gaffar Abdul Khaleq Al Khouri	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Dagher Darwish Al Marar	✓	✓	✓	✓	✓	✓	✓	✓

✓ refers to attendance

✗ refers to absence

**Note 1:** This Audit Committee member did not attend the meeting but had signed a proxy to another Audit Committee member.

The Audit Committee has submitted its Annual Report to the Board, on the activities that were carried out by them during the year 2020 to discharge the responsibilities entrusted to the Audit Committee.

## 5.2. Nomination & Remuneration Committee

Mr. Abdul Gaffar Abdul Khaleq Al Khouri, Nomination & Remuneration Committee Chairman, acknowledges his responsibility for the Committee system in the Company, review of its work mechanism and ensuring its effectiveness.

The role of the Committee is to set up policy and its regulation regarding nomination for the Board and executive management membership, the basis on which bonuses, privileges, incentives, and salaries shall be granted to the Board members and employees, and other related human resources policy.

The duties and responsibilities of the Nomination and Remuneration Committee according to its approved Charter are consistent with the governance rules set forth in the Corporate Governance Guide. In particular, the Nomination and Remuneration Committee has the following key duties and responsibilities:

- Organizing and following up the Board nomination procedures in line with requirements of applicable laws and regulations and the SCA Corporate Governance Guide, in addition to determining the Company's needs for qualified staff at the level of Senior Management and the basis for their selection;
- Verifying the continued independence of independent Board members;
- Reviewing and approving, in consultation with the Chairman of the Board and/or the Chief Executive Officer, the terms and conditions of the service contracts of Executive Directors and Senior Management employees;
- Reviewing at least annually, remuneration (comprising of basic salary, other allowances, and any performance-related element of salary or bonus) of the Company's employees, including the Senior Management team, and remuneration proposed to be paid to the Board Directors; and
- Preparing a succession plan for the Board and its committees, the Chief Executive Officer, and key members of Management.

The Nomination and Remuneration Committee meets as often as required. In year 2020, the Nomination and Remuneration Committee held two (2) meetings, as detailed below:

Name	Meeting 1 02/3/2020	Meeting 2 19/5/2020
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri (Chairman)	✓	✓
Mr. Mohamed Ahmed Al Qamzi	✓	✓
Mr. Mohamed Rashed Mubarak Al Kitbi	✓	✓
Mr. Rubaya Mohamed Abdul Aziz Rubaya Al Muhairy	✗	✓

✓ refers to attendance

✗ refers to absence

## 5.3. Technical Committee

Mr. Dagher Darwish Al Marar, Technical Committee Chairman, acknowledges his responsibility for the Committee system in the Company, review of its work mechanism and ensuring its effectiveness.

The duties and responsibilities of the Technical Committee according to its approved Charter are consistent with the governance rules set forth in the Corporate Governance Guide. In particular, the Technical Committee has the following key duties and responsibilities:

- Evaluate and endorse recommendations submitted by the executive management and refer them to the Board for final approval, in regards to the following:
  - Acquisition of fleet and related purchase agreements, including new dredgers building.
  - Disposal of fleet and related disposal agreements..
- Provide oversight on management of fleet owned by the Company.
- Any other matters determined by the Board.

The Technical Committee did not meet during 2020.

## 5.4. Strategy Committee

Mr. Mohamed Ahmed Al Qamzi, Strategy Committee Chairman, acknowledges his responsibility for the Committee system in the Company, review of its work mechanism and ensuring its effectiveness.

The duties and responsibilities of the Strategy Committee according to its approved Charter are consistent with the governance rules set forth in the Corporate Governance Guide. In particular, the Strategy Committee has the following key duties and responsibilities:

- Review and evaluate the recommendations submitted by the executive management with regard to business strategy, budgets and annual plan.
- Work with the executive management to make recommendations to the Board on the business strategy and long term strategic objectives of the Company, including all subsidiaries and associates.
- Review and evaluate large scale capital investments and operational expenditure.
- Review and evaluate the Company's operational plans in support of the Company's strategic plan and refer them to the Board for final approval, including:
  - Expansion Strategy, including opening of new subsidiaries, branches and joint ventures
  - Acquisition Strategy
  - Opportunities for potential acquisitions
- Review and evaluate major unbudgeted expenditure, including those relating to contractual arrangements with consultants and advisors.
- Review and assess responses to external developments and factors, such as changes in the economy, industry trends, competition and technology, which may impact the Company's strategic plan.

The Strategy Committee meets as often as required. In year 2020, the Strategy Committee held two (2) meetings, as detailed below:

Name	Meeting 1 02/3/2020	Meeting 2 03/6/2020
Mr. Mohamed Ahmed Al Qamzi (Chairman)	✓	✓
Mr. Abdul Ghaffar Abdul Khaleq Al Khouri (Member)	✓	✓
Mr. Dagher Darwish Al Marar (Member)	✓	✓
Mr. Majed Ahmed Omar Al-Karbi (Member)	✓	✓

✓ refers to attendance

✗ refers to absence







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# Internal Control System

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## 6.1. System of Internal Control at NMDC

The Board of Directors acknowledges its responsibility for the Company internal control system, review of its work mechanism and ensuring effectiveness. Further, the Internal Control department issued 16 reports to the Board of Directors in 2020. In relation to major problems occurred during 2020, the Company did not encounter any major problems during 2020.

The Company's internal control system is established to ensure that the Board and Management are able to achieve their business objectives in a prudent manner, safeguarding interests of the Company's shareholders and other stakeholders, whilst at the same time minimizing key risks such as fraud, unauthorized business activity, misleading financial statements, un-informed risk-taking, or breach of legal or contractual obligations, and also ensuring highest quality achieved in a safe and sustainable environment.

As per the approved Corporate Governance Manual, the Board is responsible for ensuring that the Company applies a precise internal control system that covers the following key functions being managed by respective heads as detailed hereunder:

Department	Head of Department & Designation	Date of Appointment	Qualification	Experience
Internal Control (Internal Audit & Ethics and Compliance)	Mr. Kashif Nawaz Shaikh (Head of Internal Control and Ethics & Compliance Officer)	1-Feb-19	- Chartered Certified Accountant - Certified Internal Auditor - Cost and Management Accountant	Over 15 years of professional experience in the fields of Internal Audit, Statutory Audit, Risk Management, Corporate Governance and Business Process reviews.
Quality, Health Safety and Environment (Including Risk Management)	Mr. Mohamed Yassein Mohamed (QHSE Manager)	25-Aug-16	-BS. Civil Engineering -Construction Management Diploma -MBA -ISO 9001:2015 Certified Lead Auditor - Nebosh International Certificate	Over 26 years of experience in Quality, HSE and Constructions.

Management is responsible for ensuring that adequate internal controls (both financial and operational) are in place and applied to safeguard and manage the assets of the Company, in an effective and efficient manner.

## 6.2. Independent Assessment of Internal Control System

Internal control is designed to mitigate, not eliminate, significant risks faced. It is recognized that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the Company through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, assurance and control functions such as External Audit, Internal Audit, Ethics & Compliance, Quality, Health, Safety and Environment function. These ongoing processes, which comply with leading practices and the Corporate Governance Guide, were in place throughout the year under review and up to the date of approval of the annual report and financial statements.

During the year 2020, the Company was subject to the following independent assessments of its internal control system:

- Annual external audit and interim reviews of NMDC consolidated financial statements through EY, a professional services firm. The external audit work covers assessment of internal controls over financial reporting, although the same does not entail expressing an opinion on the effectiveness of the Company's internal control.
- Process reviews of NMDC business processes and functions through the Internal Audit Function, according to an Internal Audit Plan approved by the Audit Committee. The scope of internal audit for the year 2020 covered both core and support processes at NMDC, and were prioritized in accordance with Risk Analysis Methodology.

The internal audit procedures are designed on the assumption that the responsibility for a sound system of internal controls rests with Management, and work performed by internal audit might not lead to identifying all strengths and weaknesses that may exist, but so that any material irregularity has a reasonable probability of discovery. The internal audit procedures also focus on areas identified by Management as being of greatest risk and significance, and the internal audit plan therein is subject to approval of the Audit Committee.

The internal audit function reports directly to the Audit Committee. Internal audit reports on any control recommendations, to Senior Management and the Audit Committee. The internal audit function considers and includes focus areas for audit in the annual audit plan. Material incidents and losses and significant breaches of systems and controls are reported to the Audit Committee.

External audit function discusses their management letter with the Audit Committee, highlighting control deficiencies, if any. Appropriate processes, including review by the audit function, ensure that timely corrective action is taken on matters raised by external audit. Action plan is obtained from the Management to remediate gaps and improve internal controls to avoid similar instances in the future. Internal audit regularly follows up on implementation of action plan and reports to the Audit Committee if not implemented by the due date.

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the Board through the Audit Committee, and are independently assessed by the internal audit and the compliance functions. Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken. NMDC finance coordinate, review and comment on the monthly financial and regulatory reports, and facilitate the interim and annual financial reporting process, including the independent audit process.

All internal control weaknesses noted during the year were discussed with Management and Audit Committee with proposed corrective actions. Material internal control deficiencies noted and discussed during the year were in relation to delays in finalizing project contracts, problems in setting up of overseas branches, high inventory, adequacy of insurance policy, reducing margins and/or losses from projects and its impact on the profitability of the organization, and security and backup of various IT applications.

## 6.3. Risk Management

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Living in a world of uncertainties, increasing stakeholder mandates, and focus on project performance with no waste or error, has increased the need to better understand and implement risk management. Our aim to be better and to grow, triggers a 'risk and opportunity' based thinking at every level within the organization.

This focus starts with management's forward-thinking approach, and cascades to support departments identifying, monitoring and mitigating risks in their own sphere of work on a continuous basis. At projects, assessment of risks and opportunities starts at the initial phase, and is continuously monitored and managed during execution.

## 6.4. Ethics and Compliance

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Ethics and Compliance Function is part of Internal Control Department. The role of the Ethics and Compliance Officer is to investigate and address any suspected wrongdoings as identified from the whistle blowing system, and to verify compliance by the Company and its officers and employees with the applicable legal and regulatory requirements (including the resolutions issued by SCA and ADX), the Company's internal policies and procedures, and commitments made to third parties (including the Company's lenders and counterparties).

The Company, in 2014, has developed and implemented policies and procedures on Fraud Control, Whistle Blowing and Investigation. These policies have been formulated to provide employees an opportunity to report in good faith in case they observe any unethical or improper practices in the Company. Responsibility for overseeing and implementing the policy has been delegated to the Ethics and Compliance Manager. The Company's management also has specific responsibility for facilitating operation of the policy. Communication sessions are held to spread awareness on fraud control and whistle blowing system to the employees of the Company. Incidents reported during the year through the whistle blowing system were adequately investigated and appropriately resolved. HR function of the organization has also included such awareness in the new employee induction program.

## 6.5. Quality, Health, Safety and Environment

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NMDC management strives for excellence in all we do and recognizes the impact that our activities may have on people and the environment. Furthermore, the value added to our clients, Product and performance Quality.

The Safety, health and protection of the environment are the prime concerns of our operation. Therefore, one of the main focuses is to give care of our manpower resources;

More attention is directed to the continuous education and training of staff, and implementation of

certified quality, safety and environmental management systems.

QHSE target certain initiatives every year to achieve our objectives by protecting workplace hazards, welfare of personnel, and level of accommodation facilities, environmental reporting, implementing audits Plans for quality and managing stakeholders.

QHSE monitors compliance and identifies opportunities to further improve our performance by conducting regular internal audits, inspections, drills, and management reviews. For all subsidiaries, external certification bodies have asserted that the implementation complies with the most recent applicable international (ISO) quality, safety and environmental standards.

During 2020, the following milestones were achieved as planned:

- NMDC has passed the surveillance audit for ISO 45001 and 9001
- NMDC has successfully sustained an implemented management system onboard applicable marine units as well as being qualified as a MLC manning/staffing agency.
- Our recognized efforts and commitment to safety resulted in 2nd Neeshan award for “BEST HSE PERFORMANCE FORM –CONSTRUCTION- PROJECT” from Abu Dhabi Ports.
- Hail and Ghasha Project passed two share holder HSE audits by “ADNOC, ENI, OMV and Wintershall” with a recognized HSE assurance score of 79% and 82%
- NMDC has continued two-year plan to elevate Safety & quality awareness among all employees.

Clients’ expectations and NMDC strategy obliges continuous monitoring and improvements in order to meet our targets and then exceed them. This is reflected in our KPIs, and focus on gaps identified during performance measurement and internal audits







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# Company's Contribution



## 7.1. Corporate Social Responsibility Initiatives

NMDC recognizes that its activities could, without careful management, have a potential impact on the marine environment. This fact directed NMDC to develop Corporate Social Responsibility (hereafter referred as “CSR”) strategy, to address environment and social challenges and meet its stakeholders’ expectations. The CSR strategy aligns with NMDC Mission “Environment, People, Value, and Profit”, and emphasizes its strategic objective of performing activities directed “for the good of the community”. NMDC CSR strategy is adapted regularly to suit the changes to its business environment and its stakeholder expectations. In addition, the QHSE policy also pursues commitment to protect people and property, prevent pollution, protect the environment, conserve power and focus on reducing adverse environmental impacts of our activities and operations. Emphasis is also given to comply with specific customer requirements, applicable laws, regulations, standards and relevant best practices.

NMDC identifies and selects CSR initiatives that link to its CSR policies and strategies, and add value to four quadrants as follows:

- Donations: NMDC encourages initiatives that enhance its participation in community life.
- Internal NMDC Customers: NMDC encourages initiatives that provide good and safe working conditions enhance work-life balance and increase employees’ involvement.
- Business partners and authorities: NMDC contributes with business partners and authorities in delivering Abu Dhabi Urban Planning and Economic Vision 2030, encourages the long-term partnership strategy with vendors and sharing its lessons learned and knowledge with CEDA and IMCA members.
- HSE and Marine: NMDC encourages initiatives that results in minimizing adverse environmental impacts and achieving high environmental performance.

During 2020, aligned with the CSR mandate, NMDC also undertook the following initiatives:

- The Hail and Ghasha project is in full collaboration with Environmental Agency Abu Dhabi (hereafter referred as “EAD”) and client (ADNOC) supervision wherein the project has sponsored the EAD “E-learning portal” for several projects, along with the “Electronic Ecological Brochure”
- Bird nesting poles were distributed in several parts of the emirate of Abu Dhabi
- Environmental awareness signboards were installed in liaison with Abu Dhabi Municipality and Abu Dhabi Ports in ports, Abu Dhabi Corniche and other locations.

## 7.2. Contribution to Local Community Development

NMDC appoints independent third party specialist to conduct society surveys, to evaluate the performance of CSR, and determine the actions required to improve its management of CSR policies, strategies and initiatives.

During 2020, the main activities / sponsors that were undertaken are as follows:

- A contribution from NMDC to MAAN Authority for Social Contribution, during the pandemic supporting the growth of society by developing and finding innovative solutions to meet social challenges, and to spread the culture of giving and participation in civil society.
- Blood donation
- Emirates Association of Visually Impaired sponsorship

- Khorfakan Club for the Disabled
- Cancer Awareness campaign
- Over the past years the Company has concentrated towards internal employees for donations needed for specialized schools and/or hospitals, to help the families of children with disability.
- Assigned 20 fresh graduate engineers from various disciplines in Hail and Ghasha project to develop their technical skills and knowledge and prepare them for future challenges.

## 7.3. Contribution to Environment Protection

### Environmental Management

Supervision and monitoring of environmental aspects at all NMDC projects and activities in Abu Dhabi, mainly at Musaffah Base, Jubail, Khalifa Port, Hudariyat, Mugharraq, Sila, Hail & Ghasha fields and Emarat Europe; in addition to across borders for projects in Egypt.

Leading a challenging interaction within critical environmental area by continuing to execute Hail and Ghasha project inside MMPA (Murawah Marine Protected Area) as well as construction activities on Butinah Island. The project is being closely monitored by EAD and other international environmental agencies due to the global importance of the area.

### Compliance to Environmental Legal requirements

Ensured compliance with applicable local and federal legal requirements, which led to successfully obtaining the necessary Environmental Permits (NOC's) for NMDC projects, such as Khalifa Port Project, Mugharraq, Sila, Jubail, Hail and Ghasha projects.

Updated NMDC's Environmental Management System to satisfy the requirements of ISO 14001:2015, resulting in successfully obtaining the certification.

### Environmental Studies

Assignment of EAD approved third party consultants for execution of environmental studies for several projects, whenever required, which have been later reviewed, assessed, and approved by relevant authorities (EAD and/or Client).

### Control Plans

Preparation and implementation of Construction Environmental Management Plan (CEMP) in line with third party environmental studies and / or applicable legal requirements for all NMDC projects. Company also prepared and implemented Mangrove Planting Management Plan (MPMP) for Jubail project, and waste reduction plan for Mussafah base and Emarat Europe factory.

### Inspections and Audits

With total number of environmental inspections approaching 950 inspections during 2020, we were able to cover all ongoing NMDC Projects.

### Monitoring of Performance

Implementation of monitoring programs for specific environmental indicators such as water, air, noise, waste, effluents, soil, etc. in line with project's environmental requirements and NMDC Environmental Management System requirements (applicable on projects, offices and vessels).

Monitoring were conducted by using Company owned equipment such as, in-situ water quality sensors, noise meter, dust meter, illumination meter and GPS; or through external laboratories for soil, sediments effluent and air quality testing.

### Inductions & Awareness

Conducting inductions and training at project sites on relevant environmental topics, particularly those of direct impact on employees' day-to-day work, as required by projects such as non-hazardous / hazardous waste management, marine mammals and reptiles' observation & identification, spill prevention and control, chemicals handling and storage, and environmental aspects of dredging.







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# General Information

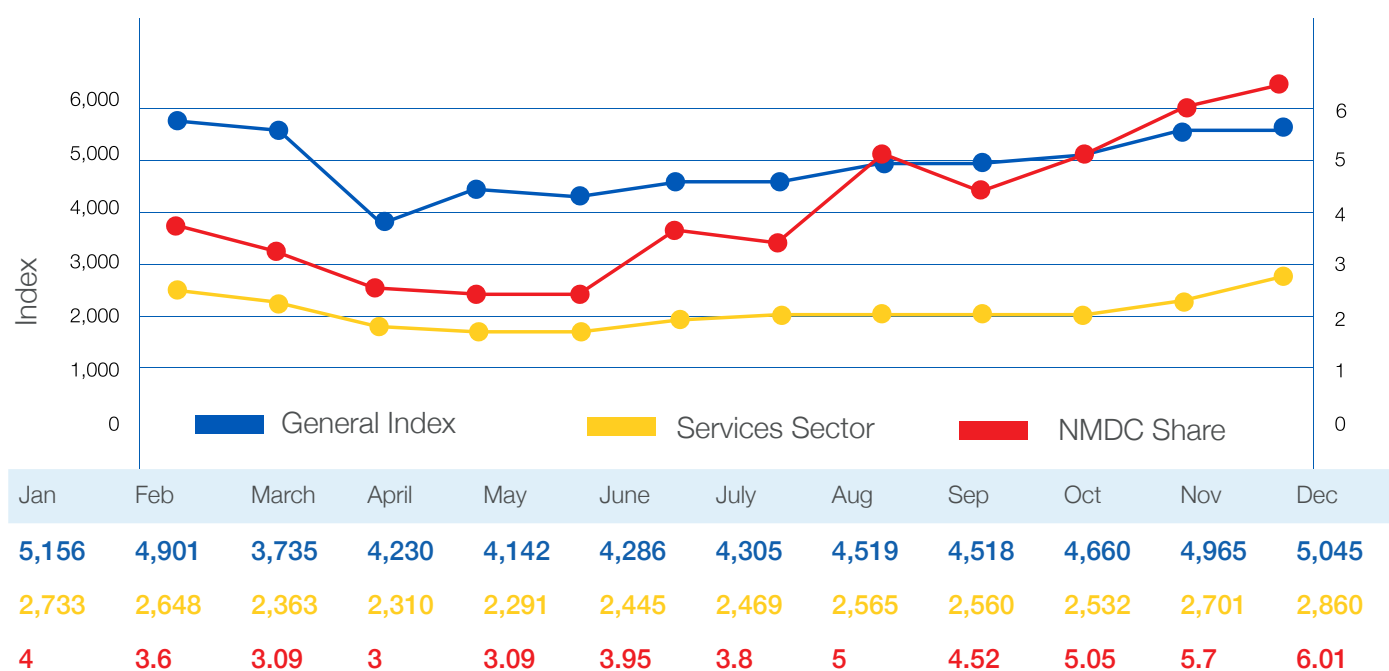


## 8.1. Monthly Price of the Company's share as compared to General and Sector Index

Statement of company's share price in the market (closing price, highest price and lowest price), General Market Index and Sector Index at the end of each month during 2020 were as follows:

Month	Highest price	Lowest price	Closing price	Services Sector Index	General Index
January	4.000	3.440	4.000	2,732.67	5,156.18
February	4.600	3.600	3.600	2,648.07	4,901.42
March	3.400	3.090	3.090	2,363.47	3,734.68
April	3.000	2.900	3.000	2,309.54	4,230.37
May	3.090	3.000	3.090	2,290.91	4,141.61
June	3.950	3.000	3.950	2,445.23	4,285.79
July	3.900	3.800	3.800	2,468.55	4,304.73
August	6.250	4.160	5.000	2,564.94	4,519.32
September	5.300	4.490	4.520	2,560.49	4,518.06
October	5.490	4.490	5.050	2,532.36	4,660.04
November	5.900	5.010	5.700	2,700.64	4,964.93
December	6.500	5.520	6.010	2,859.53	5,045.31

## 8.2. Chart of the comparative performance of the Company share with General Index and Company's Sector Index



### 8.3. Breakdown of Ownership of NMDC Shares by Nationality and by Category as at 31 December 2020

Shareholder Category	Individual Shares	Companies Shares	Total Shares
Locals	80,501,855	169,419,326	249,921,181
GCC	4,366	53,093	57,459
Arabs (Other than GCC)	8,606	0	8,606
Foreigners	12,754	0	12,754
<b>Total</b>	<b>80,527,581</b>	<b>169,472,419</b>	<b>250,000,000</b>
<b>Percentage</b>	<b>32.21%</b>	<b>67.79%</b>	<b>100%</b>

### 8.4. Statement of the Company's Shareholders who own 5% or more of the Company's Capital as at 31 December 2020

Shareholder	Number of Shares	Percentage (%)
Abu Dhabi Development Holding Company (ADQ)	79,999,999	32.00%
Tasameem Real Estate LLC	27,848,502	11.14%
Abu Dhabi United Group For Development and Investment	22,151,498	8.86%
Petroleum Engineering & Construction Est (Pecon)	16,584,532	6.63%

### 8.5. Breakdown of Ownership of Company Shareholders as at 31 December 2020

Sr. No	Share(s) Owned	Number of Shareholders	Number of shares owned	The percentage (%) of shares owned
1	Less than 50,000	3,267	12,675,196	5.07%
2	50,000 to less than 500,000	158	24,792,134	9.92%
3	500,000 to less than 5,000,000	24	27,966,191	11.19%
4	More than 5,000,000	9	184,566,479	73.83%
<b>Total</b>		<b>3,458</b>	<b>250,000,000</b>	<b>100 %</b>

## 8.6. Statement of significant events encountered by the Company during 2020

- In 2020, the Company's shareholders accepted an offer to acquire 100% of the shares of National Petroleum Construction Company (NPCC), a major international EPC contracting entity in Abu Dhabi, in exchange for shares in the Group to be issued to the sellers. This transaction was concluded subsequent to the year end, on 11 February 2021, and has led to the creation of one of the largest EPC contracting entities in the Middle East.
- In order to continue building the infrastructure to support the Company's growth, we have invested a total of AED 305 million (2019: AED 498 million) in fixed assets during the year, most of which relate to investments in fleet, including a new Trailing Suction Hooper Dredger and a Backhoe Dredger that were deployed into operations during the third quarter of 2020, in addition to dry-docking of existing fleet vessels.
- In 2020, NMDC was awarded the Khalifa Port – Etihad Rail Marine Works and Saadiyat Lagoons enabling works projects in the U.A.E, and Al Manzalah Lake Extension and Alexandria QW-55 reclamation works projects in Egypt.

## 8.7. Investor Relation Officer

Mr. Khaled Al-Shalati is the Company's Investor Relation Officer. Furthermore, the Company website i.e. [www.nmdc.com](http://www.nmdc.com), has a dedicated page for investor relations, which includes Company's Articles of Association, candidates for Board of Directors, Company's address, and Investor Relation Officer contact information.

### Contact Information of Investor Relation Officer

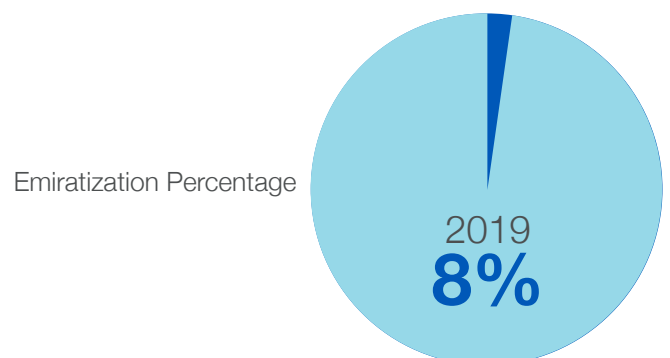
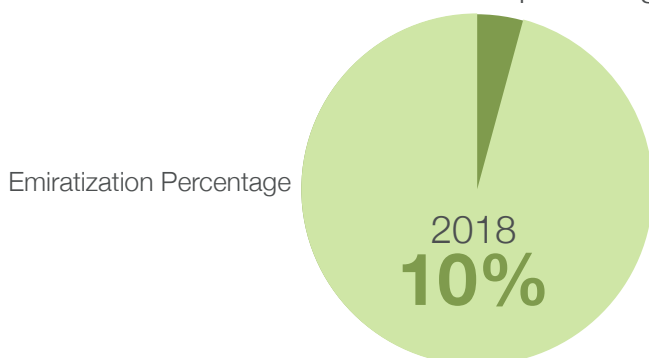
Email: [ir@nmdc.ae](mailto:ir@nmdc.ae)

Office No.: 02 – 513 0242

Mobile No. 050-4111846

## 8.8. Emiratization in 2020

The Emiratization percentage in NMDC as of 31 December 2020 was 7% for white collar employees. Refer to table below for Emiratization percentage in 2018 and 2019.



## 8.9. Innovative projects and initiatives in 2020

- **Stepping-stones Breakwater:** In 2020 NMDC has constructed a new type of semi-submerged breakwater with multiple staggered humps (first breakwater of this type), which was developed to protect artificial islands surrounded by sandy beaches, while assuring good water circulation at the same time.
- **Artificial Reef Domes:** In 2020, a total of 40 artificial reef domes were installed in appointed areas approved by the Environmental Agency – Abu Dhabi as part of environmental initiative of contractor. Further 29 more artificial reef domes are waiting approval from the Environmental Agency which will be installed in early 2021.
- **Environmental Signboards:** The fabrication and installation of environmental signboards have been initiated by the Company, in which they are targeted towards detailing certain aspects of the environment, including various key species (flora and fauna) and sensitive habitats. In addition, another objective of these signboards (certain templates) is targeted towards increasing awareness on Sustainable Fishing Practices and Reduction of Plastic Debris. The environmental signboards will be installed across all marine areas in Abu Dhabi, such as Corniche Abu Dhabi, Saadiyat Island and Jubail Island.

## 8.10. Details of violations during 2020

There were no violations reported during 2020.



Board of Directors  
Chairman

Date: 7/March/2021

Audit Committee  
Chairman

Date: 7/March/2021

Nomination &  
Remuneration Chairman

Date: 7/March/2021

Head of Internal Control  
Department

Date: 7/March/2021



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