

GULF CEMENT COMPANY P.S.C.

**Independent auditor's report and financial statements
for the year ended 31 December 2013**

GULF CEMENT COMPANY P.S.C.

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Gulf Cement Company P.S.C.
Ras Al Khaimah
United Arab Emirates

Report on the Financial Statements

We have audited the accompanying financial statements of **Gulf Cement Company P.S.C. (a Public Shareholding Company) "the Company"** – Ras Al Khaimah, United Arab Emirates which comprise the statement of financial position as at 31 December 2013, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Cont'd...

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Gulf Cement Company P.S.C.** as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account and the physical inventory was properly conducted. The financial information contained in the directors' report is in agreement with the books. We obtained all the information which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984, as amended, or the Articles of Association of the Company which might have materially affected the financial position of the Company or its financial performance.

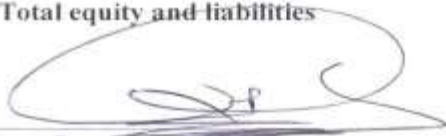
Deloitte & Touche (M.E.)



Samir Madbak
Registration No. 386
18 February 2014

**Statement of financial position
at 31 December 2013**

	Notes	2013 AED	2012 AED
ASSETS			
Non current assets			
Property, plant and equipment	5	758,608,232	547,783,011
Investment property	6	8,253,725	8,253,725
Trade and other receivables	8	9,500,000	13,000,000
Investments carried at fair value through other comprehensive income (FVTOCI)	7	<u>76,651,372</u>	<u>107,635,225</u>
Total non current assets		<u>853,013,329</u>	<u>676,671,961</u>
Current assets			
Inventories	9	254,086,744	238,533,307
Trade and other receivables	8	156,430,775	209,618,048
Investments carried at fair value through profit or loss (FVTPL)	7	180,229,318	121,767,283
Cash and cash equivalents	10	<u>68,780,023</u>	<u>125,330,953</u>
Total current assets		<u>659,526,860</u>	<u>695,249,591</u>
Total assets		<u>1,512,540,189</u>	<u>1,371,921,552</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	821,096,820	821,096,820
Reserves	12	485,672,057	471,968,655
Cumulative change in fair value - FVTOCI		(119,273,945)	(117,257,133)
Retained earnings		<u>45,820,590</u>	<u>41,927,886</u>
Total equity		<u>1,233,315,522</u>	<u>1,217,736,228</u>
Non-current liabilities			
Provision for employees' end of service indemnity	13	11,170,257	11,527,790
Finance lease liability	14	<u>134,895,913</u>	<u>28,207,451</u>
Total non-current liabilities		<u>146,066,170</u>	<u>39,735,241</u>
Current liabilities			
Finance lease liability	14	11,406,037	-
Trade and other payables	16	<u>121,752,460</u>	<u>114,450,083</u>
Total current liabilities		<u>133,158,497</u>	<u>114,450,083</u>
Total liabilities		<u>279,224,667</u>	<u>154,185,324</u>
Total equity and liabilities		<u>1,512,540,189</u>	<u>1,371,921,552</u>


Omar Saqr Al-Qasbi
Chairman

The accompanying notes form an integral part of these financial statements.

**Statement of income
for the year ended 31 December 2013**

	Notes	2013 AED	2012 AED
Revenue	17	624,560,691	607,238,242
Cost of sales	18	<u>(577,956,407)</u>	<u>(610,172,932)</u>
Gross profit/(loss)		46,604,284	(2,934,690)
Other operating income		1,097,798	718,654
Selling, general and administrative expenses		(44,712,353)	(27,827,961)
Investment income	19	65,346,519	23,086,619
Share of profit of an associate		-	705,198
Other income/(expenses)		<u>180,763</u>	<u>(480,483)</u>
Profit/(loss) for the year		<u>68,517,011</u>	<u>(6,732,663)</u>
Basic earnings/(loss) per share	20	<u>0.08</u>	<u>(0.01)</u>

The accompanying notes form an integral part of these financial statements.

**Statement of comprehensive income
for the year ended 31 December 2013**

	2013	2012
	AED	AED
Profit/(loss) for the year	<u>68,517,011</u>	<u>(6,732,663)</u>
Other comprehensive loss		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Loss on disposal of investment at FVTOCI	(9,866,064)	(59,382,395)
(Decrease)/increase in fair value of investments at FVTOCI	<u>(2,016,812)</u>	<u>46,627,157</u>
Other comprehensive loss for the year	<u>(11,882,876)</u>	<u>(12,755,238)</u>
Total comprehensive income/(loss) for the year	<u><u>56,634,135</u></u>	<u><u>(19,487,901)</u></u>

The accompanying notes form an integral part of these financial statements.

**Statement of changes in equity
for the year ended 31 December 2013**

	Share capital AED	Reserves AED	Cumulative change in fair value - FVTOCI AED	Retained earnings AED	Total AED
Balance at 31 December 2011	821,096,820	471,968,655	(163,884,290)	108,042,944	1,237,224,129
Loss for the year	-	-	-	(6,732,663)	(6,732,663)
Other comprehensive loss	-	-	46,627,157	(59,382,395)	(12,755,238)
Total comprehensive loss for the year	-	-	46,627,157	(66,115,058)	(19,487,901)
Balance at 31 December 2012	821,096,820	471,968,655	(117,257,133)	41,927,886	1,217,736,228
Profit for the year	-	-	-	68,517,011	68,517,011
Other comprehensive loss	-	-	(2,016,812)	(9,866,064)	(11,882,876)
Total comprehensive income for the year	-	-	(2,016,812)	58,650,947	56,634,135
Dividend paid - Note 21	-	-	-	(41,054,841)	(41,054,841)
Transfer to reserves – Note 12	-	13,703,402	-	(13,703,402)	-
	-	13,703,402	-	(54,758,243)	(41,054,841)
Balance at 31 December 2013	821,096,820	485,672,057	(119,273,945)	45,820,590	1,233,315,522

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
For the year ended 31 December 2013

	2013	2012
	AED	AED
Cash flows from operating activities		
Profit/ (loss) for the year	68,517,011	(6,732,663)
Adjustments for:		
Depreciation of property, plant and equipment	41,602,407	36,058,902
Loss on disposal of property, plant and equipment	89,267	1,411,628
Provision for employees' end of service indemnity	1,023,516	1,188,126
Unrealized gain on investments at FVTPL	(71,571,749)	(63,800,810)
Share of profit of an associate	-	(705,198)
Loss on sale of investments at FVTPL	14,051,277	70,162,328
Share of profit from sales of an associate	-	(17,260,319)
Investment and dividend income	(7,826,047)	(12,187,818)
	<hr/>	<hr/>
Operating cash flows before changes in operating assets and liabilities	45,885,682	8,134,176
Decrease/(increase) in trade and other receivables	53,687,273	(34,677,363)
Increase in inventories	(15,553,437)	(14,814,068)
Decrease in due to a related party	-	(307,755)
Increase in trade and other payables	4,121,884	23,505,298
	<hr/>	<hr/>
Cash generated from/(used in) operations	88,141,402	(18,159,712)
Employees' end of service indemnity paid	(1,381,049)	(1,521,800)
	<hr/>	<hr/>
Net cash generated by/(used in) operating activities	86,760,353	(19,681,512)
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The accompanying notes form an integral part of these financial statements.

**Statement of cash flows
for the year ended 31 December 2013 (continued)**

	2013	2012
	AED	AED
Cash flows from investing activities		
Purchase of property, plant and equipment	(252,516,895)	(83,762,721)
Proceeds from disposal of property, plant and equipment	-	2,772,491
Purchase of investments carried at FVTPL	(25,570,015)	(34,449,401)
Purchase of investments carried at FVTOCI	-	(2,659,380)
Proceeds on disposal of investments an associate	3,000,000	13,237,191
Proceeds on disposal of investments in securities	43,729,429	145,596,925
Interest received	139,445	233,902
Dividends received	7,686,602	11,953,916
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(223,531,434)	52,922,923
	<hr/>	<hr/>
Cash flows from financing activities		
Net movement in finance lease liability	118,094,499	28,207,451
Dividends paid	(37,874,348)	(1,091,028)
	<hr/>	<hr/>
Net cash generated from financing activities	80,220,151	27,116,423
	<hr/>	<hr/>
Net (decrease)/ increase in cash and cash equivalents	(56,550,930)	60,357,834
Cash and cash equivalents at the beginning of the year	125,330,953	64,973,119
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Cash and cash equivalents at the end of the year (see Note 10)	68,780,023	125,330,953
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The accompanying notes form an integral part of these financial statements.

**Notes to financial statements
for the year ended 31 December 2013****1. General information**

Gulf Cement Company P.S.C. (a Public Shareholding Company) - Ras Al Khaimah (the "Company") is incorporated as a public shareholding company by Emiri decree number 24/77 issued by His Highness, The Ruler of Ras Al Khaimah, U.A.E., in 1977. The address of the Company's registered office is P. O. Box 5295, Ras Al Khaimah, United Arab Emirates.

The principal activities of the Company are production and marketing of all types of cement.

2. Application of new and revised International Financial Reporting Standards ("IFRSs")**2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements**

In the current year, the Company for the first time has applied the following new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements in IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurement and disclosures about fair value measurements except for share-based payment transactions that are within the scope of IFRS 2 Share-based payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purpose).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In accordance with the transitional provisions, the Company has not made any new disclosures required by IFRS 13 for 2012 comparative periods. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The main amendment to IAS 1 requires items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

- a) Items that will not be reclassified subsequently to profit or loss; and
- b) Items that may be reclassified subsequently to profit or loss when specific conditions are met.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

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

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements (continued)

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* (continued)

Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2.2 *New and revised IFRSs applied with no material effect on the financial statements*

The following new and revised IFRSs have been adopted in these financial statements. The application of these revised new and IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 7 *Financial Instruments: Disclosures* enhances disclosures about offsetting of financial assets and liabilities.
- IFRS 10 *Consolidated Financial Statements* uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* have been amended for the issuance of IFRS 10.
- IFRS 11 *Joint Arrangements* establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly, IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.
- IFRS 12 *Disclosure of Interests in Other Entities* combines the disclosure requirements for an entity’s interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard.
- Amendments to IAS 19 *Employee Benefits* eliminate the “corridor approach” and therefore require an entity to recognise changes in defined benefit plan obligations and plan assets when they occur.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

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

2.2 New and revised IFRSs applied with no material effect on the financial statements (continued)

- Annual Improvements to IFRSs 2009 - 2011 Cycle

The annual improvements include the amendments to five IFRSs which have been summarized below:

- *IFRS 1 First Time Adoption of International Financial Reporting Standards* -Repeated application of IFRS 1.
- *IFRS 1 First Time Adoption of International Financial Reporting Standards* -Borrowing costs.
- *IAS 16 Property, Plant and Equipment* - Classification of serving equipment.
- *IAS 32 Financial Instruments: Presentation* - Tax effect of the distribution to the holders of equity instruments.
- *IAS 34 Interim Financial Reporting* - Interim financial reporting and segment information for total assets and liabilities.

2.3 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted

The Company has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

- | | |
|---|----------------|
| <ul style="list-style-type: none"> • Amendments to <i>IAS 19 Employee Benefits</i> - to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. | 1 July 2014 |
| <ul style="list-style-type: none"> • Amendments to <i>IAS 32 Financial Instruments: Presentation</i> relating to application guidance on the offsetting of financial assets and financial liabilities. | 1 January 2014 |
| <ul style="list-style-type: none"> • Amendments to <i>IAS 36 – recoverable amount disclosures</i>
The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognized or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU’s recoverable amount has been determined on the basis of fair value less costs of disposal. | 1 January 2014 |

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

2. **Application of new and revised International Financial Reporting Standards (“IFRSs”) (continued)**
- 2.3 **New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued)**

New and revised IFRSs	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> • IFRIC 21 – Levies Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs. 	1 January 2014
<ul style="list-style-type: none"> • Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities. On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The amendments establish an exception to IFRS 10’s general consolidation principle for investment entities, requiring them to “measure particular subsidiaries at fair value through profit or loss, rather than consolidate them.” In addition, the amendments outline required disclosures for reporting entities that meet the definition of an investment entity. 	1 January 2014
<ul style="list-style-type: none"> • Annual Improvements to IFRSs 2010 - 2012 Cycle <ul style="list-style-type: none"> ▪ IFRS 2 Share Based Payments - definition of 'vesting condition'. ▪ IFRS 3 Business Combinations - accounting for contingent consideration. ▪ IFRS 8 Operating Segments - aggregation of segments, reconciliation of segment assets. ▪ IAS 16 Property Plant and Equipment - proportionate restatement of accumulated depreciation on revaluation. ▪ IAS 24 Related Party Disclosures - management entities. ▪ IAS 38 Intangible Assets - proportionate restatement of accumulated depreciation on revaluation. 	1 July 2014

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

- 2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (continued)**
- 2.3 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued)**

New and revised IFRSs	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> • Annual Improvements to <i>IFRSs 2011 - 2013 Cycle</i> <ul style="list-style-type: none"> ▪ <i>IFRS 1 First Time Adoption of International Financial Reporting Standards</i> - meaning of effective IFRSs. ▪ <i>IFRS 3 Business Combinations</i> - scope exception for joint ventures. ▪ <i>IFRS 13 Fair Value Measurement</i> - scope of the portfolio exception. ▪ <i>IAS 40 Investment Property</i> - interrelationship between IFRS 3 and IAS 40. 	1 July 2014

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company’s financial statements for the period beginning 1 January 2014 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

3. Significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the measurement at fair value of financial instruments and investment property. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies adopted are set out below.

3.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

3. Significant accounting policies (continued)

3.3 Revenue recognition (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

3.4 Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight line basis over the shorter of the lease term or the estimated useful life of the asset.

3.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease liability.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

3. Significant accounting policies (continued)

3.6 Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Arab Emirates Dirhams (“AED”), which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the Company’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.7 Borrowing costs

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

3.8 Employee benefits

Defined contribution plan

U.A.E. national employees of the Company are members of the Government-managed retirement pension and social security benefit scheme pursuant to Federal Labour Law No. 7 of 1999. The Company is required to contribute 12.5% of the “contribution calculation salary” of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the “contribution calculation salary” respectively, to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions (12.5%). The contributions are charged to profit or loss.

Annual leave

An accrual is made for the estimated liability for employees' entitlement to annual leave as a result of services rendered by eligible employees up to the end of the year.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

3. Significant accounting policies (continued)

3.8 Employee benefits (continued)

Provision for employees' end of service indemnity

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law and is based on current remuneration and their period of service at the end of the reporting period.

The accrual relating to annual leave is disclosed as a current liability, while the provision relating to end of service indemnity is disclosed as a non-current liability.

3.9 Property, plant and equipment

Property, plant and equipment, except capital work in progress, are stated at their cost, less any subsequent accumulated depreciation and any subsequent identified impairment losses.

Properties in the course of construction for production or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on 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.

The following useful lives are used in the calculation of depreciation:

	<u>Years</u>
Building and roads	27 – 35
Plant and machinery	5 – 15
Power station	10
Vehicles and equipment	2 – 5
New clinker production line	20 – 30
IT computer & hardware	3

3.10 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment property are included in profit or loss.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

3. Significant accounting policies (continued)

3.11 Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.12 Inventories

Finished products are stated at the lower of cost and net realisable value. Cost comprises raw materials, wages and industrial costs that contribute in transforming raw materials into finished products. Cost is calculated using the weighted average method.

Products in process are stated at the lower of cost and net realisable value. Cost comprises raw materials, wages and industrial costs that contribute in transforming raw materials into products in process.

Raw materials and consumable spare parts are stated at the lower of cost and replacement cost.

Inventories of bags, fuel and lubricants are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

3. Significant accounting policies (continued)

3.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.14 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets of the Company are classified into the following specified categories: cash and cash equivalents, 'at fair value through profit or loss' (FVTPL), at fair value through other comprehensive income (FVTOCI) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for financial assets other than those financial assets classified as at FVTPL.

3.14.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.14.2 Financial assets at FVTPL

Investments in equity instruments are classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 24.3.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 Revenue.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

3. Significant accounting policies (continued)

3.14 Financial assets (continued)

3.14.3 Financial assets at FVTOCI

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

3.14.4 Loans and receivables

Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.14.5 Impairment of financial assets

Financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

3. Significant accounting policies (continued)

3.14.5 Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.14.6 Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

3.15 Financial liabilities and equity instruments issued by the Company

3.15.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.15.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3.15.3 Financial liabilities

Trade and other payables and finance lease liability are classified as 'other 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.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

3. Significant accounting policies (continued)

3.15 Financial liabilities and equity instruments issued by the Company (continued)

3.15.3 Financial liabilities (continued)

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. Interest expense is recognised by applying the effective interest rate, except for short term payables when the recognition of interest would be immaterial.

3.15.4 Derecognition of financial liabilities

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

3.16 Dividend distribution

Dividend distribution to the Company's Shareholders is recognised as liability in the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders.

4. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, which are described in Note 3, management has made judgements that have the most significant effect on the amounts recognised in the financial statements and applied certain assumptions, 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, as discussed below:

4.1 Critical judgments in applying accounting policies

4.1.1 Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI or FVTPL. In judging whether investments in securities are as at FVTOCI or FVTPL, Management has considered the detailed criteria for determination of such classification as set out IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

4.1.2 Revenue recognition

Management has considered the detailed criteria for the recognition of revenue from the sale of goods set out in International Accounting Standard 18: Revenue, and in particular whether the Company had transferred risks and rewards of ownership of the goods. Based on the acceptance by the customer of the liability for the goods sold, management is satisfied that the significant risks and rewards have been transferred and the recognition of the revenue is appropriate.

4.1.3 Allowance for doubtful debts

Allowance for doubtful debts is determined using a combination of factors to ensure that the trade receivables are not overstated due to uncollectability. The allowance for irrecoverable debts for all customers is based on a variety of factors, including the overall quality and aging of receivables, continuing credit evaluation of the customers' financial conditions and collateral requirements from customers in certain circumstances. Also, specific allowances for individual accounts are recorded when the Company becomes aware of the customer's inability to meet his financial obligations.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

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

4.1.4 Allowance for slow moving inventories

Inventories and spares are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its realizable value, if required, are made at the product level for estimated excess, obsolescence or impaired balance. Factors influence these adjustments include changes in demand, technological changes, physical deterioration and quality issues.

4.2 Key sources of estimation uncertainty

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

4.2.1 Impairment of trade receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. This determination of whether these trade receivables are impaired, entails the Company evaluating, the credit and liquidity position of the customers, historical recovery rates and collateral requirements from certain customers in certain circumstances. The difference between the estimated collectible amount and the carrying amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

4.2.2 Inventories

Inventories are stated at the lower of cost or market value. Adjustments to reduce the cost of inventory to its realisable value, if required, are made at the product group level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues. Based on the above factors, the Company has arrived at certain percentages for allowance for slow moving and obsolete inventories. Revisions to these adjustments would be required if these factors differ from the estimates.

4.2.3 Property, plant and equipment

The cost of property, plant and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. The management has not considered any residual value as it is deemed immaterial.

4.2.4 Valuation of unquoted equity instruments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, management estimates the fair value of these instruments using expected cash flows discounted at current rates for similar instruments or other valuation models.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

5. Property, plant and equipment

	Building and roads AED	Plant and machinery AED	Power station AED	Vehicles and equipment AED	New clinker production line AED	IT Computer & Hardware AED	Capital work in progress AED	Total AED
<i>Cost</i>								
At 31 December 2011	135,739,447	316,525,757	53,150,521	15,159,383	526,507,393	170,000	28,516,830	1,075,769,331
Additions	-	6,690,335	-	428,000	4,634,360	-	72,010,026	83,762,721
Transfers	460,074	1,743,741	-	-	-	3,909,184	(6,112,999)	-
Disposals	-	-	-	-	-	-	(4,184,119)	(4,184,119)
At 31 December 2012	136,199,521	324,959,833	53,150,521	15,587,383	531,141,753	4,079,184	90,229,738	1,155,347,933
Additions	-	27,131,110	-	278,000	-	545,865	224,561,920	252,516,895
Disposals	-	-	-	(103,000)	-	-	-	(103,000)
At 31 December 2013	136,199,521	352,090,943	53,150,521	15,762,383	531,141,753	4,625,049	314,791,658	1,407,761,828
<i>Accumulated depreciation</i>								
At 31 December 2011	100,843,940	251,828,230	53,150,521	14,745,644	150,928,241	9,444	-	571,506,020
Charge for the year	4,873,283	14,472,244	-	134,733	15,740,139	838,503	-	36,058,902
At 31 December 2012	105,717,223	266,300,474	53,150,521	14,880,377	166,668,380	847,947	-	607,564,922
Charge for the year	4,880,951	19,679,496	-	205,000	15,821,472	1,015,488	-	41,602,407
Eliminated on disposals	-	-	-	(13,733)	-	-	-	(13,733)
At 31 December 2013	110,598,174	285,979,970	53,150,521	15,071,644	182,489,852	1,863,435	-	649,153,596
<i>Carrying amount</i>								
At 31 December 2013	25,601,347	66,110,973	-	690,739	348,651,901	2,761,614	314,791,658	758,608,232
At 31 December 2012	30,482,298	58,659,359	-	707,006	364,473,373	3,231,237	90,229,738	547,783,011

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

5. Property, plant and equipment (continued)

At 31 December 2013 the cost of fully depreciated property, plant and equipment that was still in use amounted to AED 252,385,587 (2012: AED 246,214,252).

Capital work in progress mainly represents expenditure incurred on projects related to the construction of a waste heat recovery plant and environmental project. Finance cost amounting to AED 3,452,900 has been capitalised during the year (2012: AED 2,676,829).

The factory and its related buildings are constructed on plots of land leased from the Government of Ras Al Khaimah.

6. Investment property

	2013	2012
	AED	AED
Fair value, at the end of the year	8,253,725	8,253,725

Investment property represents plots of land in Ras Al Khaimah.

The fair value of the Company's investment property at 31 December 2013 has been arrived at on the basis of a valuation carried out at that date by independent valuers that are not related to the Company. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

7. Investments in securities

(i) Investments carried at fair value through other comprehensive income (FVTOCI)

	2013	2012
	AED	AED
Quoted	26,950,307	47,934,160
Unquoted	49,701,065	59,701,065
	76,651,372	107,635,225

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

7. Investments in securities (continued)

(i) Investments carried at fair value through other comprehensive income (FVTOCI) (continued)

	2013	2012
	AED	AED
In U.A.E.	45,623,373	55,623,363
In other GCC countries	31,027,999	52,011,862
	<hr/> 76,651,372 <hr/>	<hr/> 107,635,225 <hr/>

(ii) Investments carried at fair value through profit or loss (FVTPL)

	2013	2012
	AED	AED
Quoted	180,229,318	121,767,283
	<hr/> 110,095,774 <hr/>	<hr/> 55,490,482 <hr/>
In U.A.E.	70,133,544	66,276,801
In other GCC countries	180,229,318	121,767,283
	<hr/> 180,229,318 <hr/>	<hr/> 121,767,283 <hr/>

Movements on investments in securities were as follows:

	2013	2012
	AED	AED
Fair value of investments at the beginning of the year	229,402,508	357,007,408
Purchased during the year	25,570,015	37,108,781
Sale during the year	(67,646,770)	(275,141,648)
Unrealised gain on revaluation of investments carried at FVTPL	71,571,749	63,800,810
(Decrease)/increase in the fair value of investments at FVTOCI	(2,016,812)	46,627,157
	<hr/> 256,880,690 <hr/>	<hr/> 229,402,508 <hr/>

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

8. Trade and other receivables

	2013 AED	2012 AED
Trade receivables	115,392,474	174,689,950
Other receivables	37,538,301	31,928,098
Receivable from sale of an associate	13,000,000	16,000,000
	<hr/>	<hr/>
	165,930,775	222,618,048
Receivable from sale of an associate due after one year	(9,500,000)	(13,000,000)
	<hr/>	<hr/>
	156,430,775	209,618,048
	<hr/> <hr/>	<hr/> <hr/>

Analysis of trade receivables are set out below:

	2013 AED	2012 AED
Secured against unconditional bank guarantees	82,085,060	134,438,993
Secured against letter of credit	14,656,971	-
Open credit	18,650,443	40,250,957
	<hr/>	<hr/>
	115,392,474	174,689,950
	<hr/> <hr/>	<hr/> <hr/>

The average credit period on sales of goods is 140 days.

Before accepting any new customer, the Company normally obtains bank guarantees from the potential customers. Of the trade receivable balance at the end of year AED 26.5 million (2012: AED 64 million) is due from the Company's largest customer. There are 5 (2012: 5) other customers who represent more than 62% (2012: 48%) of the total balance of trade receivables.

Included in the Company's trade receivable balance are debtors with a carrying amount of AED 15 million (2012: AED 7 million) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The past due balance of AED 15 million (2012: AED 6 million) is fully secured by bank guarantees. The average age of these receivables is 180 days (2012: 180 days).

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted upto the reporting date. Since the majority of trade receivables are secured against bank guarantees or letters of credit, the directors believe that no provision is required for the allowance for doubtful debts.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

9. Inventories

	2013 AED	2012 AED
Finished goods	8,733,760	7,331,767
Raw materials	19,708,702	8,140,309
Work in progress	35,554,503	28,917,410
Bags, fuel and lubricants	34,009,924	40,460,965
	<hr/> 98,006,889	<hr/> 84,850,451
Spare parts - maintenance department	152,717,400	149,760,095
Consumable items	21,276,699	21,834,564
Tools	287,577	290,018
	<hr/> 174,281,676	<hr/> 171,884,677
Allowance for slow-moving inventories	(18,201,821)	(18,201,821)
	<hr/> 156,079,855	<hr/> 153,682,856
	<hr/> 254,086,744	<hr/> 238,533,307
	<hr/> <hr/> 254,086,744	<hr/> <hr/> 238,533,307

10. Cash and cash equivalents

	2013 AED	2012 AED
Cash on hand	260,530	210,521
Bank balances:		
Current accounts	64,682,618	33,718,333
Call deposits	3,836,875	31,053,586
Short term deposits	-	60,348,513
	<hr/> 68,519,493	<hr/> 125,120,432
	<hr/> 68,780,023	<hr/> 125,330,953
	<hr/> <hr/> 68,780,023	<hr/> <hr/> 125,330,953

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

10. Cash and cash equivalents (continued)

	2013 AED	2012 AED
Bank balances		
In U.A.E.	66,303,618	116,420,679
In other GCC countries	2,215,875	8,699,753
	<hr/> 68,519,493 <hr/>	<hr/> 125,120,432 <hr/>

11. Share capital

	2013 AED	2012 AED
Issued and fully paid:		
821,096,820 ordinary shares of AED 1 each	821,096,820	821,096,820
	<hr/> 821,096,820 <hr/>	<hr/> 821,096,820 <hr/>

12. Reserves

According to article 42 of the Company's Articles of Association and the requirements of the U.A.E. Federal Commercial Companies Law No 8 of 1984, as amended, 10% of the net profit is transferred to the statutory reserve and another 10% to the voluntary reserve. The transfer to statutory reserve may be suspended when it reaches 50% of the paid-up share capital. Statutory reserve is not available for distribution except as stipulated by the Law. The transfer to voluntary reserve may be suspended by the ordinary general assembly at the recommendation of the Board of Directors or when it reaches 20% of the Company's paid-up share capital.

	Statutory reserve AED	Voluntary reserve AED	Total AED
Balance at 31 December 2011	335,332,153	136,636,502	471,968,655
Movement during the year 2012	-	-	-
	<hr/> 335,332,153	<hr/> 136,636,502	<hr/> 471,968,655
Balance at 31 December 2012	335,332,153	136,636,502	471,968,655
Movement during the year 2013	6,851,701	6,851,701	13,703,402
	<hr/> 342,183,854	<hr/> 143,488,203	<hr/> 485,672,057
Balance at 31 December 2013	<hr/> 342,183,854 <hr/>	<hr/> 143,488,203 <hr/>	<hr/> 485,672,057 <hr/>

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

13. Provision for employees' end of service indemnity

Movements in the net liability were as follows:

	2013 AED	2012 AED
Balance, at the beginning of the year	11,527,790	11,861,464
Amounts charged to income during the year	1,023,516	1,188,126
Amounts paid during the year	(1,381,049)	(1,521,800)
Balance, at the end of the year	11,170,257	11,527,790

14. Finance lease liability

During 2012, The Company entered into a sale and lease back arrangement with a leasing company registered in the United Arab Emirates to finance the purchase and installation of a waste heat recovery plant. The finance charges are based on 3 months LIBOR plus a margin of 2.5% per annum. The lease is repayable on quarterly installments over the term of the lease of five years with the first installment due on 1 August 2014. At the reporting date, the Company has utilized AED 146,301,950 (31 December 2012: AED 28,207,451) out of available lease facility of AED 192,500,000.

The payments due under leasing arrangement are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	31 December		31 December	
	2013 AED	2012 AED	2013 AED	2012 AED
Due within one year	13,140,870	-	11,406,037	-
Due in the second through fifth year	126,152,352	-	116,721,272	28,207,451
Due after five years	18,400,892	-	18,174,641	-
	157,694,114	-	146,301,950	28,207,451
Less: Embedded future finance costs	(11,392,164)	-	-	-
	146,301,950	-	146,301,950	28,207,451

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

14. Finance lease liability (continued)

Finance lease liability (continued)

Included in the financial statements as:

	2013 AED	2012 AED
Current portion of finance lease liability	11,406,037	-
Non-current portion of finance lease liability	134,895,913	28,207,451
	<hr/> 146,301,950 <hr/>	<hr/> 28,207,451 <hr/>

15. Related party transactions

Related parties include the Company's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

During the year, the Company entered into the following transactions with related parties:

	2013 AED	2012 AED
Rent expenses	-	352,025
Purchases	-	1,026,782

Compensations of key management staff and Board of Directors

	2013 AED	2012 AED
Board of Directors' fees and allowances	1,588,926	869,120
Key management staff:		
Short-term benefits	1,862,916	1,377,200
Long-term benefits	47,725	90,031

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

16. Trade and other payables

	2013 AED	2012 AED
Trade payables	53,337,348	67,120,022
Dividend payable	20,423,518	17,243,025
Accrued expenses	42,700,657	28,980,415
Other payables	5,290,937	1,106,621
	121,752,460	114,450,083

The average credit period on purchase of goods is 60 days (2012: 60 days). The Company has financial risk management policies in place to ensure that all payables are paid within credit period time frame.

17. Revenue

An analysis of the Company's revenue is as follows:

	2013 AED	2012 AED
Local sales	174,856,971	249,379,149
Export sales	449,703,720	357,859,093
	624,560,691	607,238,242

Revenue includes AED 530,037,844 - 85% (2012: AED 489,064,547 - 81%) from 6 (2012: 6) customers.

18. Cost of sales

	2013 AED	2012 AED
Raw material used in production	110,046,250	103,375,733
Fuel, electricity and water	342,804,769	404,446,840
Payroll and related expenses	35,852,152	29,932,223
Spare parts consumption & Consumable	29,709,816	34,149,634
Other direct operating expenses	25,980,099	18,537,002
Depreciation of property, plant and equipment	41,602,407	36,058,902
Total manufacturing costs	585,995,493	626,500,334
Increase in inventory of finished and semi finished goods	(8,039,086)	(16,327,402)
Cost of sales	577,956,407	610,172,932

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

19. Investment income

	2013 AED	2012 AED
Unrealised gain on revaluation of investments carried at FVTPL	71,571,749	63,800,810
Loss on sale of investments carried at FVTPL	(14,051,277)	(70,162,328)
Interest income	139,445	233,902
Dividends received	7,686,602	11,953,916
Gain on disposal of investment in an associate	-	17,260,319
	65,346,519	23,086,619

20. Basic earnings per share

	2013	2012
Profit/(loss) for the year (in AED)	68,517,011	(6,732,663)
Number of shares	821,096,820	821,096,820
Basic earnings/(loss) per share (in AED)	0.08	(0.01)

21. Dividends

At the Board meeting held on 18 February 2014, the Board of Directors proposed a cash dividends at 5% of share capital amounting to AED 41.1 million for the year ended 31 December 2013 (2013: approved cash dividends at 5% of share capital amounting to AED 41.1 million for the year 2012).

22. Commitments and contingent liabilities

	2013 AED	2012 AED
Letters of credit	1,925,829	104,832,798
Letters of guarantee	200,000	200,000
Commitments for the acquisition of property, plant and equipment	1,500,000	41,142,643

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

23. Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debts and equity balance.

The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

The Company reviews the capital structure on a semi-annual basis. As part of this review, the Company considers the cost of capital and the risks associated with capital. The Company does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objective.

24. Financial instruments

The Company is exposed to a range of financial risks through its financial assets and financial liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and financial liabilities are interest rate risk and equity price risk.

24.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

24.2 Categories of financial instruments

	2013	2012
	AED	AED
Financial assets		
Loans and receivables (including cash and cash equivalents)	221,654,073	330,426,932
Investments at FVTPL	180,229,318	121,767,283
Investments at FVTOCI	76,651,372	107,635,225
	<hr/>	<hr/>
	478,534,763	559,829,440
	<hr/>	<hr/>
Financial liabilities		
Finance lease liability	146,301,950	28,207,451
Other financial liabilities	121,195,253	114,267,653
	<hr/>	<hr/>
	267,497,203	142,475,104
	<hr/>	<hr/>

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded in the financial statements approximate their fair values.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

24. Financial instruments (continued)

24.3 Fair value measurement

The fair values of financial assets and financial liabilities are determined as follows;

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

24.3.1 Fair value of the Company's financial assets that are measured at fair value on recurring basis

Some of the Company's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 December 2013 AED'000	31 December 2012 AED'000				
Quoted equity investments – FVTOCI	26,950	47,934	Level 1	Quoted bid prices in an active market.	None.	NA
Unquoted equity investments – FVTOCI	49,701	59,701	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Quoted debt instruments – FVTPL	180,229	121,767	Level 1	Quoted bid prices in an active market.	None.	NA

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

24. Financial instruments (continued)

24.3 Fair value measurement (continued)

24.3.2 Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2013

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTPL	180,229,318	-	-	180,229,318
FVTOCI				
Quoted equities	26,950,307	-	-	26,950,307
Unquoted equities	-	-	49,701,065	49,701,065
	<u>207,179,625</u>	<u>-</u>	<u>49,701,065</u>	<u>256,880,690</u>

31 December 2012

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTPL	121,767,283	-	-	121,767,283
FVTOCI				
Quoted equities	47,934,160	-	-	47,934,160
Unquoted equities	-	-	59,701,065	59,701,065
	<u>169,701,443</u>	<u>-</u>	<u>59,701,065</u>	<u>229,402,508</u>

There were no transfers between each of level during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

24. Financial instruments (continued)

24.4 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity price risk.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

24.5 Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2013	2012	2013	2012
	AED	AED	AED	AED
US Dollars	16,077,745	11,973,370	70,254,472	19,007,719
Euro	1,260,022	83,628	298,526	-
Kuwaiti Dinar	-	-	91,727,192	110,879,886
Japanese Yen	845	4,558,400	-	-
Others	-	-	19,870,291	18,942,458

24.6 Foreign currency sensitivity analysis

The Company is mainly exposed to United States Dollars (USD), Kuwaiti Dinar and Euro. Based on the sensitivity analysis to a 10% increase or decrease in the AED against Kuwaiti Dinar, Euro and Japanese Yen, the Company's profit for the year ended 31 December 2013 and equity as of 31 December 2013 would have increased or decreased by approximately AED 11 million (2012: AED 13 million). There is no impact on USD because of dollar peg. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

24. Financial instruments (continued)

24.7 Interest rate risk management

The Company's exposure to interest rate risk is limited to call and short term deposits with banks at fixed interest rates and borrowings at floating rates of interest linked to LIBOR for some facilities and EIBOR for certain other facilities. At 31 December 2013 bank deposits carried an interest rate in the range of 0.15% to 1% per annum (31 December 2012: 0.15% to 0.456% per annum).

The Company's sensitivity to interest rates has not changed significantly from the prior year.

24.8 Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

The credit risk associated with the Company's trade receivables is considered limited as the Company holds receivables amounting to AED 96,742,031 (2012: AED 134,438,993) fully covered by unconditional bank guarantees or letters of credit to secure the collectibility of these trade receivables. Ongoing credit evaluation is performed on the financial condition of trade receivable.

Credit risk with respect to concentration of trade receivables by geographical area is as follows:

	2013	2012
	AED	AED
United Arab Emirates	89,783,586	138,048,850
Other Gulf Cooperation Council countries	25,608,888	36,641,100
	<hr/> 115,392,474 <hr/>	<hr/> 174,689,950 <hr/>

At the reporting date, 6 customers accounted for 86% of total outstanding trade receivables (2012: 7 customers, 85%).

The credit risk on liquid funds is limited because the counter parties are banks with high credit-ratings assigned by international credit-rating agencies.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

24. Financial instruments (continued)

24.9 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure that adequate liquidity is maintained. The maturity profile of the assets and liabilities at the reporting date based on contractual repayment arrangements was as follows:

31 December 2013

	Less than 30 days AED	30-180 days AED	181-360 days AED	After 360 days AED	Total AED
Financial assets					
Investment at FVTOCI	-	-	-	76,651,372	76,651,372
Trade and other receivables	85,280,979	24,834,673	29,758,398	9,500,000	152,874,050
Investments at FVTPL	180,229,318	-	-	-	180,229,318
Cash and cash equivalents	68,780,023	-	-	-	68,780,023
	<u>334,290,320</u>	<u>28,334,673</u>	<u>29,758,398</u>	<u>86,151,372</u>	<u>478,534,763</u>
Financial liabilities					
Trade and other payables	53,337,348	67,857,905	-	-	121,195,253
Finance lease liability	-	-	11,406,037	134,895,913	146,301,950
	<u>53,337,348</u>	<u>67,857,905</u>	<u>11,406,037</u>	<u>134,895,913</u>	<u>267,497,203</u>

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

24. Financial instruments (continued)

24.9 Liquidity risk management (continued)

31 December 2012

	Less than 30 days AED	30-180 days AED	181-360 days AED	After 360 days AED	Total AED
Financial assets					
Investment at FVTOCI	-	-	-	107,635,225	107,635,225
Trade and other receivables	147,343,035	19,131,698	25,621,246	13,000,000	205,095,979
Investments at FVTPL	121,767,283	-	-	-	121,767,283
Cash and cash equivalents	125,330,953	-	-	-	125,330,953
	<u>394,441,271</u>	<u>19,131,698</u>	<u>25,621,246</u>	<u>120,635,225</u>	<u>559,829,440</u>
Financial liabilities					
Trade and other payables	67,379,844	46,887,809	-	-	114,267,653
Finance lease liability	-	-	-	28,207,451	28,207,451
	<u>67,379,844</u>	<u>46,887,809</u>	<u>-</u>	<u>28,207,451</u>	<u>142,475,104</u>

24.10 Equity price risk

Sensitivity analysis

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Company's statement of income and comprehensive income would have increased/decreased by AED 18 million (2012: AED 12 million) and by AED 8 million (2012: AED 11 million) respectively.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

24. Financial instruments (continued)

24.10 Equity price risk (continued)

Sensitivity analysis (continued)

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk as at the reporting date.
- As at the reporting date if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and other comprehensive income has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

24.11 Price risk

The Company has exposure to market price risk which has significant impact on its revenue, results of operations and cash flows which can vary with fluctuations in the market prices. These are affected by factors outside the Company's control, including the market forces of supply and demand and regulatory issues. The Company mitigates the price risk through entering into long term contracts with certain customers as well as focusing on new markets for export.

25. Segment information

The Company is organised into two main business segments:

Manufacturing of all types of cement and investments incorporating investments in marketable equity securities, deposits with banks and investment properties.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

25. Segment information (continued)

	2013			2012		
	Manufacturing AED	Investments AED	Total AED	Manufacturing AED	Investments AED	Total AED
Segment revenue	624,560,691	-	624,560,691	607,238,242	-	607,238,242
Segment result	3,170,492	65,346,519	68,517,011	(30,524,480)	23,791,817	(6,732,663)
Segment assets	1,169,125,751	278,471,290	1,447,597,041	995,934,366	340,043,548	1,335,977,914
Unallocated assets	-	-	64,943,148	-	-	35,943,638
Total assets	1,169,125,751	278,471,290	1,512,540,189	995,934,366	340,043,548	1,371,921,552
Segment liabilities	279,224,667	-	279,224,667	154,185,324	-	154,185,324

There are no transactions between the business segments.

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

26. Comparative amounts

The following balances in the statement of income for the year ended 31 December 2012 have been reclassified to conform to the year ended 31 December 2013 presentation:

	As previously reported for the year ended 31 December 2012 AED	Reclassification AED	As restated for the year ended 31 December 2012 AED
Cost of sales	619,484,725	(9,311,793)	610,172,932
Selling, general and administrative expenses	18,516,168	9,311,793	27,827,961

There was no impact on the cash flows or reported profit for the comparative period due to the above reclassification.

27. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 18 February 2014.