**GULF CEMENT COMPANY P.S.C.**

**Independent auditor's report and financial statements for the year ended 31 December 2014**

**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 2014, 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.

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**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 2014, 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 2015

## GULF CEMENT COMPANY P.S.C.

### Statement of financial position at 31 December 2014

| | Notes | 2014 AED | 2013 AED |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Property, plant and equipment | 5 | **746,560,039** | 758,608,232 |
| Investment property | 6 | **8,253,725** | 8,253,725 |
| Trade and other receivables | 8 | **6,000,000** | 9,500,000 |
| Investments carried at fair value through other comprehensive income (FVTOCI) | 7 | **45,977,001** | 76,651,372 |
| **Total non current assets** | | **806,790,765** | 853,013,329 |
| **Current assets** | | | |
| Inventories | 9 | **249,348,502** | 254,086,744 |
| Trade and other receivables | 8 | **150,053,684** | 156,430,775 |
| Investments carried at fair value through profit or loss (FVTPL) | 7 | **193,591,658** | 180,229,318 |
| Cash and cash equivalents | 10 | **119,135,725** | 68,780,023 |
| **Total current assets** | | **712,129,569** | 659,526,860 |
| **Total assets** | | **1,518,920,334** | 1,512,540,189 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 11 | **821,096,820** | 821,096,820 |
| Reserves | 12 | **497,786,567** | 485,672,057 |
| Cumulative change in fair value - FVTOCI | | **(150,465,114)** | (119,273,945) |
| Retained earnings | | **51,923,788** | 45,820,590 |
| **Total equity** | | **1,220,342,061** | 1,233,315,522 |
| **Non-current liabilities** | | | |
| Provision for employees' end of service indemnity | 13 | **11,174,228** | 11,170,257 |
| Finance lease liability | 14 | **104,489,917** | 134,895,913 |
| **Total non-current liabilities** | | **115,664,145** | 146,066,170 |
| **Current liabilities** | | | |
| Finance lease liability | 14 | **28,065,887** | 11,406,037 |
| Trade and other payables | 16 | **154,848,241** | 121,752,460 |
| **Total current liabilities** | | **182,914,128** | 133,158,497 |
| **Total liabilities** | | **298,578,273** | 279,224,667 |
| **Total equity and liabilities** | | **1,518,920,334** | 1,512,540,189 |

Omar Saqr Al Qasimi
Chairman

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

## Statement of income
## for the year ended 31 December 2014

| | Notes | 2014<br>AED | 2013<br>AED |
|---|---|---|---|
| Revenue | 17 | **708,420,988** | 624,560,691 |
| Cost of sales | 18 | **(598,313,377)** | (577,956,407) |
| **Gross profit** | | **110,107,611** | 46,604,284 |
| Other operating income | | **2,333,703** | 1,097,798 |
| Selling, general and administrative expenses | | **(53,086,853)** | (44,712,353) |
| Investment income | 19 | **1,787,107** | 65,346,519 |
| Finance cost | | **(2,916,126)** | - |
| Other income | | **2,347,107** | 180,763 |
| **Profit for the year** | | **60,572,549** | 68,517,011 |
| **Basic earnings per share** | 20 | **0.07** | 0.08 |

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

## Statement of comprehensive income
## for the year ended 31 December 2014

| | 2014<br>AED | 2013<br>AED |
|---|---|---|
| **Profit for the year** | **60,572,549** | 68,517,011 |
| **Other comprehensive loss :-** | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | |
| Board of Directors remuneration | **(1,300,000)** | - |
| Loss on disposal of investment at FVTOCI | **-** | (9,866,064) |
| Decrease in fair value of investments at FVTOCI | **(31,191,169)** | (2,016,812) |
| Other comprehensive loss for the year | **(32,491,169)** | (11,882,876) |
| **Total comprehensive income for the year** | **28,081,380** | 56,634,135 |

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

**Statement of changes in equity**
**for the year ended 31 December 2014**

| | Share capital AED | Reserves AED | Cumulative change in fair value - FVTOCI AED | Retained earnings AED | Total AED |
|---|---|---|---|---|---|
| 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 | - | - | - | (41,054,841) | (41,054,841) |
| Transfer to reserves – Note 12 | - | 13,703,402 | - | (13,703,402) | - |
| Balance at 31 December 2013 | 821,096,820 | 485,672,057 | (119,273,945) | 45,820,590 | 1,233,315,522 |
| Profit for the year | - | - | - | 60,572,549 | 60,572,549 |
| Other comprehensive loss | - | - | (31,191,169) | (1,300,000) | (32,491,169) |
| Total comprehensive income for the year | - | - | (31,191,169) | 59,272,549 | 28,081,380 |
| Dividend paid - Note 21 | - | - | - | (41,054,841) | (41,054,841) |
| Transfer to reserves – Note 12 | - | 12,114,510 | - | (12,114,510) | - |
| **Balance at 31 December 2014** | **821,096,820** | **497,786,567** | **(150,465,114)** | **51,923,788** | **1,220,342,061** |

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

## Statement of cash flows
## For the year ended 31 December 2014

| | 2014 AED | 2013 AED |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the year | **60,572,549** | 68,517,011 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **54,286,332** | 41,602,407 |
| Loss on disposal of property, plant and equipment | **-** | 89,267 |
| Bad debt written off | **2,856,765** | - |
| Provision for employees' end of service indemnity | **878,713** | 1,023,516 |
| Unrealized loss/(gain) on investments at FVTPL | **5,884,523** | (71,571,749) |
| Loss on disposal of investments at FVTPL | **1,551,859** | 14,051,277 |
| Investment and dividend income | **(9,223,489)** | (7,826,047) |
| **Operating cash flows before changes in operating assets and liabilities** | **116,807,252** | 45,885,682 |
| Decrease in trade and other receivables | **3,520,326** | 53,687,273 |
| Decrease/ (Increase) in inventories | **4,738,242** | (15,553,437) |
| Increase in trade and other payables | **32,565,134** | 4,121,884 |
| **Cash generated from operations** | **157,630,954** | 88,141,402 |
| Employees' end of service indemnity paid | **(874,742)** | (1,381,049) |
| **Net cash generated by operating activities** | **156,756,212** | 86,760,353 |

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

## Statement of cash flows
## for the year ended 31 December 2014 (continued)

| | 2014 AED | 2013 AED |
|---|---|---|
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(42,238,139)** | (252,516,895) |
| Purchase of investments carried at FVTPL | **(58,487,214)** | (25,570,015) |
| Purchase of investments carried at FVTOCI | **(516,797)** | - |
| Proceeds on disposal of investments an associate | **3,500,000** | 3,000,000 |
| Proceeds on disposal of investments in securities | **37,688,491** | 43,729,429 |
| Interest received | **406,457** | 139,445 |
| Dividends received | **8,817,032** | 7,686,602 |
| **Net cash used in investing activities** | **(50,830,170)** | (223,531,434) |
| **Cash flows from financing activities** | | |
| Board of Directors remuneration paid | **(1,300,000)** | - |
| Net movement in finance lease liability | **(13,746,146)** | 118,094,499 |
| Dividends paid | **(40,524,194)** | (37,874,348) |
| **Net cash (used in)/ generated from financing activities** | **(55,570,340)** | 80,220,151 |
| Net increase/(decrease) in cash and cash equivalents | **50,355,702** | (56,550,930) |
| Cash and cash equivalents at the beginning of the year | **68,780,023** | 125,330,953 |
| **Cash and cash equivalents at the end of the year (see Note 10)** | **119,135,725** | 68,780,023 |

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

**Notes to financial statements**
**for the year ended 31 December 2014**

## 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 applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2014, have been adopted in these financial statements. The application of these revised and new 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 IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.

- Amendments to IAS 36 recoverable amount disclosures:
  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 recognised 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.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting
  The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.

- 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.

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

**2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)**

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 |
|---|---|
| • Amendments to IFRS 7 *Financial Instruments*: Disclosures relating to disclosures about the initial application of IFRS 9. | When IFRS 9 is first applied |
| • IFRS 7 *Financial Instruments*: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. | When IFRS 9 is first applied |
| • IFRS 9 Financial Instruments (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.<br><br>IFRS 9 Financial Instruments (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.<br><br>Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.<br><br>IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets: (2) the classification and measurement requirements for both financial assets and financial liabilities: (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before 1 February 2015. | 1 January 2018 |

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

### 2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| • IFRS 15 Revenue from Contracts with Customers<br><br>In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.<br><br>The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:<br>▪ Step 1: Identify the contract(s) with a customer.<br>▪ Step 2: Identify the performance obligations in the contract.<br>▪ Step 3: Determine the transaction price.<br>▪ Step 4: Allocate the transaction price to the performance obligations in the contract.<br>▪ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.<br><br>Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. | 1 January 2017 |
| • Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34. | 1 January 2016 |
| • Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization. | 1 January 2016 |
| • Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations. | 1 January 2016 |
| • Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16. | 1 January 2016 |

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

### 2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| • Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business. | 1 January 2016 |
| • Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements. | 1 January 2016 |
| • Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities. | 1 January 2016 |
| • Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. | 1 January 2016 |
| • Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24. | 1 July 2014 |
| • Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40. | 1 July 2014 |
| • Amendments to IAS 19 Employee Benefits 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 |

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 15 (D), may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning 1 January 2017 and 1 January 2018 respectively. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

## 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.

*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.

**Notes to the financial statements**
**for the year ended 31 December 2014 (continued)**

## 3. Significant accounting policies (continued)

### 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.

### 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. Significant accounting policies (continued)

### 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.

*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.

## 3. Significant accounting policies (continued)

### 3.9 Property, plant and equipment (continued)

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

| | Years |
|---|---|
| Building and roads | 27 – 35 |
| Plant and machinery | 5 – 15 |
| Power stations | 10 – 30 |
| 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.

### 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. Significant accounting policies (continued)

### 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.

### 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, investments ‘at fair value through profit or loss’ (FVTPL), investments 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.

**Notes to the financial statements**
**for the year ended 31 December 2014 (continued)**

## 3. Significant accounting policies (continued)

### 3.14 Financial assets (continued)

#### *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.

#### *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.

## 3. Significant accounting policies (continued)

### 3.14 Financial assets (continued)

#### *3.14.3 Financial assets at FVTOCI (continued)*

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.

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. Significant accounting policies (continued)

### *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.

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 in 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 determine 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 become aware of the customer's inability to meet his financial obligations.

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

### 4.2 Key sources of estimation uncertainty (continued)

#### *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 2014 (continued)

### 5. Property, plant and equipment

| | Building and roads AED | Plant and machinery AED | Power stations AED | Vehicles and equipment AED | New clinker production line AED | IT Computer & Hardware AED | Capital work in progress AED | Total AED |
|---|---|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | | | |
| 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 |
| Additions | 1,006,368 | 9,547,292 | - | 410,000 | - | 72,410 | 31,202,069 | 42,238,139 |
| Transfers | - | - | 331,720,349 | - | - | - | (331,720,349) | - |
| **At 31 December 2014** | **137,205,889** | **361,638,235** | **384,870,870** | **16,172,383** | **531,141,753** | **4,697,459** | **14,273,378** | **1,449,999,967** |
| ***Accumulated depreciation*** | | | | | | | | |
| 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 |
| Charge for the year | 4,931,205 | 23,976,041 | 8,293,009 | 243,533 | 15,821,473 | 1,021,071 | - | 54,286,332 |
| **At 31 December 2014** | **115,529,379** | **309,956,011** | **61,443,530** | **15,315,177** | **198,311,325** | **2,884,506** | **-** | **703,439,928** |
| ***Carrying amount*** | | | | | | | | |
| **At 31 December 2014** | **21,676,510** | **51,682,224** | **323,427,340** | **857,206** | **332,830,428** | **1,812,953** | **14,273,378** | **746,560,039** |
| At 31 December 2013 | 25,601,347 | 66,110,973 | - | 690,739 | 348,651,901 | 2,761,614 | 314,791,658 | 758,608,232 |

**Notes to the financial statements**
**for the year ended 31 December 2014 (continued)**

## 5. Property, plant and equipment (continued)

At 31 December 2014 the cost of fully depreciated property, plant and equipment that was still in use amounted to AED 252,930,587 (2013: AED 252,385,587).

Capital work-in-progress represents expenditure incurred in setting up new facilities, which are capitalised when they are put to commercial use. Depreciation on capital work-in-progress is not charged until such time as these assets are completed and transferred to the respective category of property, plant and equipment. During the year AED 331,720,349 (2013: Nil) has been capitalised upon completion of the Power station. Finance cost amounting to AED 1,001,592 pertaining to this project has been capitalised during the year till the date of capitalisation (2013: AED 3,452,900).

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

All property, plant and equipment are located in UAE.

## 6. Investment property

| | **2014** | 2013 |
|---|---|---|
| | **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 2014 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)

| | **2014** | 2013 |
|---|---|---|
| | **AED** | AED |
| Quoted | **21,275,923** | 26,950,307 |
| Unquoted | **24,701,078** | 49,701,065 |
| | **45,977,001** | 76,651,372 |

**Notes to the financial statements**
**for the year ended 31 December 2014 (continued)**

## 7. Investments in securities (continued)

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

| | **2014** **AED** | 2013 AED |
|---|---|---|
| In U.A.E. | **20,623,360** | 45,623,373 |
| In other GCC countries | **25,353,641** | 31,027,999 |
| | **45,977,001** | 76,651,372 |

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

| | **2014** **AED** | 2013 AED |
|---|---|---|
| Quoted | **193,591,658** | 180,229,318 |
| In U.A.E. | **131,777,501** | 110,095,774 |
| In other GCC countries | **61,814,157** | 70,133,544 |
| | **193,591,658** | 180,229,318 |

Movements on investments in securities were as follows:

| | **2014** **AED** | 2013 AED |
|---|---|---|
| Fair value of investments at the beginning of the year | **256,880,690** | 229,402,508 |
| Purchases made during the year | **59,004,011** | 25,570,015 |
| Disposals made during the year | **(39,240,350)** | (67,646,770) |
| Unrealised (loss)/ gain on revaluation of investments carried at FVTPL | **(5,884,523)** | 71,571,749 |
| Decrease in the fair value of investments at FVTOCI | **(31,191,169)** | (2,016,812) |
| **Fair value of investments at the end of the year** | **239,568,659** | 256,880,690 |

**Notes to the financial statements**
**for the year ended 31 December 2014 (continued)**

## 8. Trade and other receivables

| | 2014 AED | 2013 AED |
|---|---|---|
| Trade receivables | **111,383,557** | 115,392,474 |
| Other receivables | **35,170,127** | 37,538,301 |
| Receivable from sale of an associate | **9,500,000** | 13,000,000 |
| | **156,053,684** | 165,930,775 |
| Receivable from sale of an associate due after one year | **(6,000,000)** | (9,500,000) |
| | **150,053,684** | 156,430,775 |

Analysis of trade receivables are set out below:

| | 2014 AED | 2013 AED |
|---|---|---|
| Secured against unconditional bank guarantees | **85,292,268** | 82,085,060 |
| Secured against letter of credit | **-** | 14,656,971 |
| Open credit | **26,091,289** | 18,650,443 |
| | **111,383,557** | 115,392,474 |

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 30.5 million (2013: AED 26.5 million) is due from the Company's largest customer. There are 6 (2013: 5) other customers who represent about 71% (2013: 62%) of the total balance of trade receivables.

Included in the Company's trade receivable balance are debtors with a carrying amount of AED 17 million (2013: AED 15 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 17 million (2013: AED 15 million) is fully secured by bank guarantees. The average age of these receivables is 180 days (2013: 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 2014 (continued)**

## 9. Inventories

| | **2014** **AED** | 2013 AED |
|---|---|---|
| Finished goods | **5,849,072** | 8,733,760 |
| Raw materials | **23,539,416** | 19,708,702 |
| Work in progress | **28,390,801** | 35,554,503 |
| Bags, fuel and lubricants | **31,083,757** | 34,009,924 |
| | **88,863,046** | 98,006,889 |
| Spare parts - maintenance department | **155,692,077** | 152,717,400 |
| Consumable items | **22,648,649** | 21,276,699 |
| Tools | **346,550** | 287,577 |
| | **178,687,276** | 174,281,676 |
| Allowance for slow-moving inventories | **(18,201,820)** | (18,201,821) |
| | **160,485,456** | 156,079,855 |
| | **249,348,502** | 254,086,744 |

## 10. Cash and cash equivalents

| | **2014** **AED** | 2013 AED |
|---|---|---|
| Cash on hand | **65,412** | 260,530 |
| Bank balances: | | |
| Current accounts | **16,129,002** | 64,682,618 |
| Call deposits | **15,639,000** | 3,836,875 |
| Short term deposits | **87,302,311** | - |
| | **119,070,313** | 68,519,493 |
| | **119,135,725** | 68,780,023 |
| Bank balances | | |
| In U.A.E. | **115,696,476** | 66,303,618 |
| In other GCC countries | **3,373,837** | 2,215,875 |
| | **119,070,313** | 68,519,493 |

**Notes to the financial statements**
**for the year ended 31 December 2014 (continued)**

## 11. Share capital

| | 2014 AED | 2013 AED |
|---|---|---|
| Issued and fully paid: | | |
| 821,096,820 ordinary shares of AED 1 each | **821,096,820** | 821,096,820 |

## 12. Reserves

According to article 55 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 shall 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 shall 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 2012 | 335,332,153 | 136,636,502 | 471,968,655 |
| Movement during the year 2013 | 6,851,701 | 6,851,701 | 13,703,402 |
| Balance at 31 December 2013 | 342,183,854 | 143,488,203 | 485,672,057 |
| Movement during the year 2014 | 6,057,255 | 6,057,255 | 12,114,510 |
| **Balance at 31 December 2014** | **348,241,109** | **149,545,458** | **497,786,567** |

## 13. Provision for employees' end of service indemnity

Movements in the net liability were as follows:

| | 2014 AED | 2013 AED |
|---|---|---|
| Balance, at the beginning of the year | **11,170,257** | 11,527,790 |
| Amounts charged to income during the year | **878,713** | 1,023,516 |
| Amounts paid during the year | **(874,742)** | (1,381,049) |
| **Balance, at the end of the year** | **11,174,228** | 11,170,257 |

**Notes to the financial statements**
**for the year ended 31 December 2014 (continued)**

## 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, the Company has utilized AED 146,301,950 (31 December 2013: AED 146,301,950) out of available lease facility of AED 192,500,000.

The payments due under leasing arrangement are as follows:

| | **Minimum lease payments 31 December** | | **Present value of minimum lease payments 31 December** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **AED** | AED | **AED** | AED |
| Due within one year | **31,438,606** | 13,140,870 | **28,065,887** | 11,406,037 |
| Due in the second through fifth year | **109,980,361** | 126,152,352 | **104,489,917** | 116,721,272 |
| Due after five years | **-** | 18,400,892 | **-** | 18,174,641 |
| | **141,418,967** | 157,694,114 | **132,555,804** | 146,301,950 |
| Less: Embedded future finance costs | **(8,863,163)** | (11,392,164) | **-** | - |
| | **132,555,804** | 146,301,950 | **132,555,804** | 146,301,950 |

Included in the financial statements as:

| | **2014** | 2013 |
|---|---|---|
| | **AED** | AED |
| Current portion of finance lease liability | **28,065,887** | 11,406,037 |
| Non-current portion of finance lease liability | **104,489,917** | 134,895,913 |
| | **132,555,804** | 146,301,950 |

## 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.

**Notes to the financial statements**
**for the year ended 31 December 2014 (continued)**

## 15. Related party transactions (continued)

***Compensations of key management staff and Board of Directors***

| | 2014<br>AED | 2013<br>AED |
|---|---|---|
| Board of Directors' remuneration | **1,300,000** | - |
| Attendance expenses for Board of Directors and Committees' meetings | **987,815** | 832,926 |
| Key management staff: | | |
| Short-term benefits | **2,431,930** | 2,618,916 |
| Long-term benefits | **63,980** | 47,725 |

## 16. Trade and other payables

| | 2014<br>AED | 2013<br>AED |
|---|---|---|
| Trade payables | **81,890,570** | 53,337,348 |
| Dividend payable | **20,954,165** | 20,423,518 |
| Accrued expenses | **50,345,300** | 42,700,657 |
| Other payables | **1,658,206** | 5,290,937 |
| | **154,848,241** | 121,752,460 |

The average credit period on purchase of goods is 60 days (2013: 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:

| | 2014<br>AED | 2013<br>AED |
|---|---|---|
| Local sales | **138,469,150** | 174,856,971 |
| Export sales | **569,951,838** | 449,703,720 |
| | **708,420,988** | 624,560,691 |

Revenue includes AED 622,071,677 - 88% (2013: AED 530,037,844 - 85%) from 6 (2013: 6) customers.

**Notes to the financial statements**
**for the year ended 31 December 2014 (continued)**

## 18. Cost of sales

| | 2014 AED | 2013 AED |
|---|---|---|
| Raw material used in production | **126,228,460** | 110,046,250 |
| Fuel, electricity and water | **321,329,106** | 342,804,769 |
| Payroll and related expenses | **34,928,268** | 35,852,152 |
| Spare parts consumption & Consumable | **19,173,825** | 29,709,816 |
| Other direct operating expenses | **32,318,996** | 25,980,099 |
| Depreciation of property, plant and equipment | **54,286,332** | 41,602,407 |
| Total manufacturing costs | **588,264,987** | 585,995,493 |
| Decrease/ (increase) in inventory of finished and semi finished goods | **10,048,390** | (8,039,086) |
| | **598,313,377** | 577,956,407 |

## 19. Investment income

| | 2014 AED | 2013 AED |
|---|---|---|
| Unrealised (loss)/ gain on revaluation of investments carried at FVTPL | **(5,884,523)** | 71,571,749 |
| Loss on disposal of investments carried at FVTPL | **(1,551,859)** | (14,051,277) |
| Interest income | **406,457** | 139,445 |
| Dividend received | **8,817,032** | 7,686,602 |
| | **1,787,107** | 65,346,519 |

## 20. Basic earnings per share

| | 2014 | 2013 |
|---|---|---|
| Profit for the year (in AED) | **60,572,549** | 68,517,011 |
| Number of shares | **821,096,820** | 821,096,820 |
| Basic earnings per share (in AED) | **0.07** | 0.08 |

## 21. Dividends

At the Board meeting held on 18 February 2015, the Board of Directors proposed a cash dividends at 5.5% of share capital amounting to AED 45.16 million for the year ended 31 December 2014 (2014: approved cash dividends at 5% of share capital amounting to AED 41.1 million for the year 2013).

## 22. Commitments and contingent liabilities

| | 2014 AED | 2013 AED |
|---|---|---|
| Letters of credit | **1,862,925** | 1,925,829 |
| Letters of guarantee | **200,000** | 200,000 |
| Commitments for the acquisition of property, plant and equipment | **Nil** | 1,500,000 |

## 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.

## 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. Financial instruments (continued)

### 24.2 Categories of financial instruments

| | 2014 AED | 2013 AED |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **266,199,165** | 221,654,073 |
| Investments at FVTPL | **193,591,658** | 180,229,318 |
| Investments at FVTOCI | **45,977,001** | 76,651,372 |
| | **505,767,824** | 478,534,763 |
| **Financial liabilities** | | |
| Finance lease liability | **132,555,804** | 146,301,950 |
| Other financial liabilities | **154,110,509** | 121,195,253 |
| | **286,666,313** | 267,497,203 |

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

### 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.

## Notes to the financial statements
## for the year ended 31 December 2014 (continued)

### 24. Financial instruments (continued)

*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 2014 AED'000** | 31 December 2013 AED'000 | | | | |
| Quoted equity investments – FVTOCI | **21,276** | 26,950 | Level 1 | Quoted bid prices in an active market. | None. | NA |
| Unquoted equity investments – FVTOCI | **24,701** | 49,701 | 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 equity instruments – FVTPL | **193,592** | 180,229 | Level 1 | Quoted bid prices in an active market. | None. | NA |

*24.3.2 Fair value hierarchy*

The following table provides an analysis of financial and nonfinancial 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).

**Notes to the financial statements**
**for the year ended 31 December 2014 (continued)**

## 24. Financial instruments (continued)

### 24.3 Fair value measurement (continued)

*24.3.2 Fair value hierarchy* **(continued)**

**31 December 2014**

| | Level 1 AED | Level 2 AED | Level 3 AED | Total AED |
|---|---|---|---|---|
| **Investment property** | - | - | 8,253,725 | **8,253,725** |
| **Financial assets at FVTPL** | 193,591,658 | - | - | **193,591,658** |
| **FVTOCI** | | | | |
| Quoted equities | 21,275,923 | - | - | **21,275,923** |
| Unquoted equities | - | - | 24,701,078 | **24,701,078** |
| | **214,867,581** | **-** | **32,954,803** | **247,822,384** |

31 December 2013

| | Level 1 AED | Level 2 AED | Level 3 AED | Total AED |
|---|---|---|---|---|
| Investment property | - | - | 8,253,725 | 8,253,725 |
| 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 |
| | 207,179,625 | - | 57,954,790 | 265,134,415 |

There were no transfers between levels 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.

### 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.

**Notes to the financial statements**
**for the year ended 31 December 2014 (continued)**

## 24. Financial instruments (continued)

### 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 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **AED** | AED | **AED** | AED |
| US Dollars | **30,074,217** | 16,077,745 | **19,243,943** | 70,254,472 |
| Euro | **324,046** | 1,260,022 | **1,845,111** | 298,526 |
| Kuwaiti Dinar | **-** | - | **75,429,739** | 91,727,192 |
| Japanese Yen | **70,272** | 845 | **-** | - |
| Others | **-** | - | **12,439,277** | 19,870,291 |

### 24.6 Foreign currency sensitivity analysis

The Company is mainly exposed to United States Dollars (USD), Kuwaiti Dinar, Euro and Japanese Yen. 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 2014 and equity as of 31 December 2014 would have increased or decreased by approximately AED 9 million (2013: AED 11 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.

### 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 2014 bank deposits carried an interest rate in the range of 1% to 1.25% per annum (31 December 2013: 0.15% to 1% 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.

**Notes to the financial statements**
**for the year ended 31 December 2014 (continued)**

## 24. Financial instruments (continued)

### 24.8 Credit risk management (continued)

The credit risk associated with the Company's trade receivables is considered limited as the Company holds receivables amounting to AED 85,292,268 (2013: AED 96,742,031) fully covered by unconditional bank guarantees or letters of credit to secure the collectability 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:

| | **2014 AED** | 2013 AED |
|---|---|---|
| United Arab Emirates | **82,142,712** | 89,783,586 |
| Other Gulf Cooperation Council countries | **29,240,845** | 25,608,888 |
| | **111,383,557** | 115,392,474 |

At the reporting date, 7 customers accounted for 98% of total outstanding trade receivables (2013: 6 customers, 86%).

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

### 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:

**Notes to the financial statements**
**for the year ended 31 December 2014 (continued)**

**24. Financial instruments (continued)**

**24.9 Liquidity risk management (continued)**

**31 December 2014**

| | Less than 30 days AED | 30-180 days AED | 181-360 days AED | After 360 days AED | Total AED |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Investment at FVTOCI | - | - | - | 45,977,001 | **45,977,001** |
| Trade and other receivables | 37,377,037 | 68,006,520 | 35,679,883 | 6,000,000 | **147,063,440** |
| Investments at FVTPL | 193,591,658 | - | - | - | **193,591,658** |
| Cash and cash equivalents | 119,135,725 | - | - | - | **119,135,725** |
| | 350,104,420 | 68,006,520 | 35,679,883 | 51,977,001 | **505,767,824** |
| **Financial liabilities** | | | | | |
| Trade and other payables | 81,890,570 | 72,219,939 | - | - | **154,110,509** |
| Finance lease liability | - | - | 28,065,887 | 104,489,917 | **132,555,804** |
| | 81,890,570 | 72,219,939 | 28,065,887 | 104,489,917 | **286,666,313** |

**Notes to the financial statements**
**for the year ended 31 December 2014 (continued)**

## 24. Financial instruments (continued)

### 24.9 Liquidity risk management (continued)

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 | 13,000,000 | 152,874,050 |
| Investments at FVTPL | 180,229,318 | - | - | - | 180,229,318 |
| Cash and cash equivalents | 68,780,023 | - | - | - | 68,780,023 |
| | 334,290,320 | 24,834,673 | 29,758,398 | 89,651,372 | 478,534,763 |
| 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 |
| | 53,337,348 | 67,857,905 | 11,406,037 | 134,895,913 | 267,497,203 |

### 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 19.35 million (2013: AED 18 million) and by AED 4.6 million (2013: AED 8 million) respectively.

**Notes to the financial statements**
**for the year ended 31 December 2014 (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 it 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 in to 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 2014 (continued)**

**25. Segment information (continued)**

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Manufacturing AED** | **Investments AED** | **Total AED** | Manufacturing AED | Investments AED | Total AED |
| **Segment revenue** | **708,420,988** | **-** | **708,420,988** | 624,560,691 | - | 624,560,691 |
| Segment result | **58,785,442** | **1,787,107** | **60,572,549** | 3,170,492 | 65,346,519 | 68,517,011 |
| **Segment assets** | **1,145,962,225** | **356,763,695** | **1,502,725,920** | 1,169,125,751 | 278,471,290 | 1,447,597,041 |
| Unallocated assets | **-** | **-** | **16,194,414** | - | - | 64,943,148 |
| Total assets | **1,145,962,225** | **356,763,695** | **1,518,920,334** | 1,169,125,751 | 278,471,290 | 1,512,540,189 |
| **Segment liabilities** | **298,578,273** | **-** | **298,578,273** | 279,224,667 | - | 279,224,667 |

There are no transactions between the business segments.

## 26. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 18 February 2015.