NATIONAL CEMENT COMPANY
(PUBLIC SHAREHOLDING CO.)
DUBAI

Interim condensed financial statements

Period ended June 30, 2014

National Cement Company (Public Shareholding Co.), Dubai

Interim condensed financial statements for the period ended June 30, 2014

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الطابق الثالث، بـرج الفطيم
شارع آل مكتوم، ديرة
ص.ب. ١٩٦١، دبي، ا.ع.م

Tel: +971 4 222 2869
Fax: +971 4 227 0151
info@bdo.ae
www.bdo.ae

3rd Floor, Al Futtaim Tower
Al Maktoum Street, Deira
P O Box 1961, Dubai, UAE

Review report of the independent auditors to the shareholders of National Cement Company (Public Shareholding Co.), Dubai

We have reviewed the accompanying interim condensed statement of financial position of National Cement Company (Public Shareholding Co.) ("the Company") as of June 30, 2014, and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the six months period then ended ("the interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, no matter has come to our attention that causes us to believe that the accompanying interim financial information as of June 30, 2014 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

BDO CHARTERED ACCOUNTANTS & ADVISORS
Dubai
Yunus Yusuf Saifee
Reg. No. 418
August 3, 2014

National Cement Company (Public Shareholding Co.), Dubai

Interim condensed statement of financial position at June 30, 2014

	Note	Unaudited June 30 2014 AED'000	Audited December 31, 2013 AED'000
Non current assets			
Property, plant and equipment	5	193,627	200,878
Investment properties	6	2,924	2,924
Investment in marketable securities	7	1,533,764	1,354,174
Investment in an associate	8	60,445	60,445
Long term receivable from associate	9	316,000	343,000
Total non current assets		2,106,760	1,961,421
Current assets			
Investment in marketable securities	7	1,020	1,219
Loan receivable from associate	9	49,500	45,000
Inventories	10	61,807	56,019
Trade and other receivables	11	144,918	131,082
Due from related parties	12	47,393	71,405
Bank balances and cash	13	35,918	37,923
Total current assets		340,556	342,648
Current liabilities			
Due to related parties	12	7,043	2,138
Bank loan	14	49,500	45,000
Trade and other payables	15	50,378	53,676
Total current liabilities		106,921	100,814
Net current assets		233,635	241,834
Non current liabilities			
Provision for employees' end of service gratuities		24,971	24,794
Bank loan	14	316,000	343,000
Net assets		1,999,424	1,835,461
Equity			
Share capital	16	358,800	358,800
Share application money payable		26	26
Fair value reserve	17	880,304	693,711
General reserve	18	316,517	316,517
Statutory reserve	19	179,402	179,402
Foreign exchange reserve	8	(38,154)	(38,154)
Special reserve	20	15,900	-
Retained earnings		286,629	325,159
Total equity		1,999,424	1,835,461

These interim condensed financial statements were approved and authorised for issue by the Board of Directors on July 21, 2014 and were signed on their behalf by:

Director

Director

The notes on pages 6 to 24 form part of these interim condensed financial statements

Interim condensed statement of comprehensive income for the period ended June 30, 2014

	Note	Unaudited Three months period ended June 30, 2014 AED'000	Unaudited Three months period ended June 30, 2013 AED'000	Unaudited Six months period ended June 30, 2014 AED'000	Unaudited Six months period ended June 30, 2013 AED'000
Revenue		68,994	66,578	109,782	119,676
Cost of sales	22	(59,844)	(65,317)	(95,066)	(108,874)
Gross profit		9,150	1,261	14,716	10,802
Other income	23	3,449	3,826	7,227	7,029
		12,599	5,087	21,943	17,831
Administration, selling and general expenses	24	(6,437)	(7,636)	(12,688)	(15,398)
Finance cost	25	(3)	-	(4)	(16)
Profit/(loss) before financial income and expense		**6,159**	**(2,549)**	**9,251**	**2,417**
Financial income/(expense) net	26	26,972	24,493	57,819	61,930
Net profit for the period		**33,131**	**21,944**	**67,070**	**64,347**
Net movement in fair value of available for sale investments		10,482	(71,639)	192,725	(81,958)
Total comprehensive income for the period		**43,613**	**(49,695)**	**259,795**	**(17,611)**
Basic and diluted earnings per share (AED)	27	0.09	0.06	0.19	0.18

Interim condensed statement of changes in equity for the period ended June 30, 2014

	Share capital AED'000	Share application money payable AED'000	Fair value reserve AED'000	General reserve AED'000	Statutory reserve AED'000	Foreign exchange translation reserve AED'000	Special reserve AED'000	Retained earnings AED'000	Total equity AED'000
Balance as at January 1, 2013	**358,800**	**26**	**426,614**	**316,517**	**179,402**	**(17,949)**	-	**297,441**	**1,560,851**
Transfer on derecognition of investments to statement of comprehensive income	-	-	9,819	-	-	-	-	-	9,819
Total comprehensive income for the period	-	-	(81,958)	-	-	-	-	64,347	(17,611)
Dividend paid during the period	-	-	-	-	-	-	-	(71,760)	(71,760)
Directors' fees	-	-	-	-	-	-	-	(250)	(250)
Balance as at June 30, 2013 (Unaudited)	**358,800**	**26**	**354,475**	**316,517**	**179,402**	**(17,949)**	-	**289,778**	**1,481,049**
Balance as at January 1, 2014	**358,800**	**26**	**693,711**	**316,517**	**179,402**	**(38,154)**	-	**325,159**	**1,835,461**
Transfer on derecognition of investments to statement of comprehensive income	-	-	(6,132)	-	-	-	-	-	**(6,132)**
Total comprehensive income for the period	-	-	192,725	-	-	-	-	67,070	**259,795**
Dividend paid during the period	-	-	-	-	-	-	-	(89,700)	**(89,700)**
Transfer to special reserve (Note 20)	-	-	-	-	-	-	15,900	(15,900)	-
Balance as at June 30, 2014 (Unaudited)	**358,800**	**26**	**880,304**	**316,517**	**179,402**	**(38,154)**	**15,900**	**286,629**	**1,999,424**

Interim condensed statement of cash flow for the period ended June 30, 2014

	Note	Unaudited Six months period ended June 30, 2014 AED'000	Unaudited Six months period ended June 30, 2013 AED'000
Cash flows from operating activities			
Net profit for the period		67,070	64,347
Adjustments for:			
Depreciation	5	9,104	8,000
Gain on disposal or property, plant and equipment		(43)	-
Provision for employees' end of service gratuities		607	2,432
Financial income and expense (net)	26	(57,819)	(61,930)
Operating profit before working capital changes		18,919	12,849
Change in inventories	10	(5,788)	34,097
Change in trade and other receivables	11	(13,836)	11,289
Change in due from related parties	12	46,512	(28,124)
Change in trade and other payables	15	(3,298)	16,642
Change in due to related parties	12	4,905	906
Payment of end of service benefits		(430)	(1,114)
Net cash (used in)/generated from operating activities		46,984	46,545
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(1,853)	(6,986)
Investment in marketable securities	7	(132,183)	(173,719)
Proceeds from disposal of property, plant and equipment		43	-
Proceeds from disposal of investment in marketable securities		144,206	155,821
Dividend income	26	36,874	38,587
Interest income	26	16,124	24,015
Net cash from investing activities		63,211	37,718
Cash flows from financing activities			
Dividend paid during the period	21	(89,700)	(71,760)
Decrease in bank loan		(22,500)	-
Directors' fee		-	(250)
Net cash used in financing activities		(112,200)	(72,010)
Net increase in cash and cash equivalents		(2,005)	12,253
Cash and cash equivalents at beginning of the period		37,923	30,304
Cash and cash equivalents at end of the period		35,918	42,557

The notes on pages 6 to 24 form part of these interim condensed financial statements

1. Status and activities

National Cement Company (Public Shareholding Co.), Dubai ("the Company"), is registered in accordance with the decree issued by His Highness Ruler of Dubai on April 10, 1968 establishing a cement company in the Emirate of Dubai and in accordance with the provisions of the UAE Federal Law No. 8 of 1984 (as amended). The registered address of the Company is P.O. Box 4041, Dubai, United Arab Emirates.

The principal activity of the Company is to manufacture and sell cement and cement related products. The Company also invests in investment securities and derivative products. The Company is listed on the Dubai Financial Market since 2005.

The interim condensed financial statements for the six months period ended June 30, 2014 were authorized for issue by the Board of Directors on August 11, 2014.

These interim condensed financial statements are presented in thousands of UAE Dirhams (AED'000) unless otherwise stated.

2. Basis of preparation

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for interim condensed financial statements (International Accounting Standard 34 Interim Financial Reporting). These interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2013.

3. Adoption of new and revised standards

New standards, interpretations and amendments effective from January 1, 2014

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised 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.

- ***Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)***

  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Company, since no investment of the Company qualifies for an investment under IFRS 10.

- ***Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32***

  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

3. Adoption of new and revised standards *(Continued)*

- ***Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39***

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Company as the Company has not novated its derivatives during the current or prior periods.

- ***Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36***

  These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no impact to the Company.

- ***IFRIC 21 Levies***

  IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation.

  The interpretation clarifies that an entity recognised a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements.

  These amendments have no impact to the Company as the Company has no levies imposed by governments under legislation during the current or prior periods.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. **Significant accounting policies**

The accounting policies applied in the preparation of these interim condensed financial information are consistent with those applied in the annual financial statements of the Company for the year ended December 31, 2013.

These interim condensed financial statements are presented in United Arab Emirates Dirhams ("AED"), rounded to the nearest thousand and are prepared under the historical cost convention except in respect of investment in marketable securities and financial instruments, which are stated at fair values.

5. Property, plant and equipment

During the six month period ended June 30, 2014 additions to the property, plant and equipment amounted to approximately AED 1.85 million and disposed assets amounted to AED 0.96 million during the period. Depreciation charge for the period amounts to AED 9.10 million.

6. Investment properties

Investment properties represent land and villas constructed on that land. No investment properties were bought or sold during the current period and no depreciation was charged as the assets are fully depreciated.

During the period there is no significant change in fair market value of investment properties, including land, on comparing the same with annual financial statements of the Company for the year ended December 31, 2013.

7. Investment in marketable securities

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
Non current investments	**1,533,764**	1,354,174
Current investments	**1,020**	1,219
	1,534,784	1,355,393

Non-current investments represents available for sale investments in securities (quoted debt and equity instruments) which are intended to be held for more than one year from the date of statement of financial position. The Company's current investments comprise investments in quoted marketable equity securities which are held as available for sale investments.

7. Investment in marketable securities *(Continued)*

Break-up of investment in marketable securities at fair value is stated below:

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
Equity instruments	**1,065,241**	894,511
Other instruments	**469,543**	460,882
	1,534,784	1,355,393

Movement in available for sale investments at fair value are as follows:

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
Opening balance	**1,355,393**	1,061,545
Additions	**132,183**	351,377
Disposals/redeemed	**(139,385)**	(324,626)
Reclassification adjustments on disposal of investments	**(6,132)**	(7,363)
Fair value changes	**192,725**	274,460
	1,534,784	1,355,393

During the period, the Company has recognised a fair value gain of AED 187.65 million (June 30, 2013: fair value loss of AED 81.95 million), recognised to other comprehensive income reclassified from equity to statement of comprehensive income, for investments not yet derecognised.

At June 30, 2014, investments include AED 45.62 million (December 31, 2013: AED 53.10 million) which are stated at cost. In the opinion of the management, the fair value of these investments is not materially different from their carrying amounts.

At June 30, 2014, investments in marketable securities amounting to AED 360.23 million (December 31, 2013: AED 364.33 million) are held in the personal name of one of the Company's Director for the beneficial interest of the Company.

Investments amounting to AED 641 million (December 31, 2013: AED 649 million) are pledged with the bank against the loan of AED 365.5 million (December 31, 2013: AED 388 million).

7. Investment in marketable securities *(Continued)*

Sensitivity analysis on market risk arising as a result of changes in the market price of investments and foreign currency risk arising as a result of fluctuation in the foreign exchange rates is explained in Note 29 to the financial instruments.

Break-up of investment in marketable securities at cost is stated below:

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
Equity instruments	**187,225**	187,225
Other instruments	**490,851**	498,053
	678,076	685,278

Movements at cost in available for sale investments are as follows:

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
Opening balance	**685,278**	658,528
Additions	**132,183**	351,377
Disposals	**(139,385)**	(324,627)
	678,076	685,278

7. Investment in marketable securities *(Continued)*

Break up of profit/ (loss) on disposal of available for sale investment is as follows:

	Unaudited Three months period ended June 30, 2014 AED'000	Unaudited Three months period ended June 30, 2013 AED'000	Unaudited Six months period ended June 30, 2014 AED'000	Unaudited Six months period ended June 30, 2013 AED'000
Realised (loss)/gain on disposal attributable to difference between selling price and carrying amount of investments	**5,079**	(385)	**4,785**	9,147
Reclassification adjustments on disposal of investments	**(5,079)**	(287)	**(6,132)**	(9,819)
	-	**(672)**	**(1,347)**	**(672)**

The geographical distribution of available for sale investments is as follows:

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
United Arab Emirates	**1,101,314**	944,020
Saudi Arabia	**262,025**	261,208
Other countries	**171,445**	150,165
	1,534,784	1,355,393

8. Investment in an associate

Investment in an associate company represents 22.74% share in Berber Cement Company (Ltd), a limited liability company registered in the Republic of Sudan. The principal activity of the associate is to manufacture and sell cement. The Company's share in net assets of the associate has been equity accounted as at December 31, 2013 based on the unaudited financial statements of the associate as at December 31, 2013.

8. Investment in an associate *(Continued)*

The foreign exchange reserve has been created due to translation of financial statements from Sudanese Pound into AED where Sudanese Pound is the functional currency. The translation rate between Sudanese Pound and AED was 1 SDG = 0.83 AED on December 31, 2012 and moved to 1 SDG = 0.64 AED on December 31, 2013. Hence, the exchange fluctuation reserve has been created to reflect the net differences.

During the period there is no addition or disposal in investment. The Company accounts net assets of associate on equity method on yearly basis.

9. Loan receivable from associate

This amount represents loan given to associate and is recoverable in thirteen installments over a period of six years beginning October 2013. The interest rate on this loan is charged on the same terms as the long term loan from the bank which is 6 months EIBOR +3.45%. Refer note 14 for the bank liability against this loan.

The installments receivable after twelve months from the date of interim condensed statement of financial position has been classified under non-current assets.

10. Inventories

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
Raw materials	11,011	22,882
Work in progress	30,593	11,408
Finished goods	2,655	4,383
Consumable and spare parts	24,670	24,468
Provision for obsolence	(7,122)	(7,122)
	61,807	56,019

11. Trade and other receivables

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
Trade receivables	60,257	56,019
Allowance for doubtful debts	(6,000)	(6,000)
	54,257	50,019
Advances and other receivables	15,184	6,789
Advance towards investment	73,868	73,868
Prepayments and other receivables	1,609	406
	144,918	131,082

12. Related party disclosures

The Company, in the ordinary course of its business, enters into trading and financing transactions with concerns which fall within the definition of "related party" as contained in International Accounting Standard 24. The balances due to/from such parties, which have been disclosed separately in the interim condensed financial statements, are unsecured and repayable on demand. The management believes that the terms of the trading transactions are not materially different from those that could have been obtained from unrelated parties.

12. Related party disclosures *(Continued)*

The significant related party transactions during the period are as follows:

	Unaudited Three months period ended June 30, 2014 AED'000	Unaudited Three months period ended June 30, 2013 AED'000	Unaudited Six months period ended June 30, 2014 AED'000	Unaudited Six months period ended June 30, 2013 AED'000
With associate:				
- Interest income	**11,181**	12,044	**11,181**	12,044
- Loan repaid	**22,500**	-	**22,500**	-
With other related parties:				
- Sale of cement	**34,187**	27,893	**43,607**	34,707
- Purchase of materials and services	**24,009**	15,521	**46,298**	23,180
With Key Management Personnel:				
term benefits	**827**	812	**1,577**	1,562
- E.O.S benefits charged	**44**	37	**85**	78
- E.O.S benefits at period end	**5,128**	4,957	**5,128**	4,957
-Directors' fee	**-**	-	**-**	250

Related party balances are as under:

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
Payables:		
- To other related parties	**7,043**	2,138
Receivables:		
- From Associate - others	**19,421**	39,715
- From Associate - short term loan	**49,500**	45,000
- From Associate - long term loan	**316,000**	343,000
- From other related parties	**21,953**	25,685
- From Director	**6,019**	6,005

13. Bank balances and cash

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
Cash at hand	699	550
Current accounts with banks	35,219	37,373
	35,918	37,923

14. Bank loans

This represents loan from the bank with interest rate of 6 months EIBOR +3.45% and total facility of AED 440 million out of which AED 413 million is withdrawn. This loan is obtained by the Company to finance its associate. The loan is repayable in thirteen equal installments over a period of six years. Please refer note 7 for details of investments pledged against this loan and note 9 for loan receivable from associate against this loan.

The installments payable after twelve months from the date of interim condensed statement of financial position has been classified under non-current assets.

15. Trade and other payables

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
Trade payables	5,382	9,338
Other accruals and payables	15,429	19,772
Advances	544	481
Directors' fees	250	2,000
Dividend payable	28,773	22,085
	50,378	53,676

16. Share capital

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
Issued and fully paid up:		
358,800,000 shares of AED 1 each	**358,800**	358,800

17. Fair value reserve

This reserve represents the cumulative changes in fair value of investments in marketable securities. Movement in fair value reserve is as follows:

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
Opening balance	693,711	426,614
Net movement in changes in fair value	192,725	274,460
Reclassification adjustments on disposal of investments	(6,132)	(7,363)
	880,304	693,711

18. General reserve

As required by Article 57.2 of the Article of Association of the Company, 10% of the net profit has to be transferred to general reserve. It can be discontinued by the resolution of the ordinary general meeting on the proposal of Board of Directors or if it reaches 10% of the paid up capital of the Company. Such reserve shall be used for the purpose designated by the ordinary general meeting on the proposal of the Board of Directors. No such transfer has been made during the period under review.

19. Statutory reserve

In accordance with Article 57.1 of the Memorandum of Association of the Company and the UAE Federal Law No.8 of 1984 (as amended), a minimum of 10% of the net profit of the Company is to be allocated every year to a non-distributable reserve. Such allocation may be ceased when the statutory reserve equals 50% of the paid up share capital.

No further allocation has been made to the statutory reserve as the reserve equaled 50% of the paid share capital as at December 31, 2013.

20. Special reserve

Special Reserve has been created on recommendation of the board and on approval by the shareholders in the annual general meeting, to take care of contingencies. Any movement towards transfers, utilization and discontinuation will be subject to approval of the shareholders in the Annual General Meeting. Accordingly AED 15.9 million was transferred to this reserve during the period representing the accumulated profit from the associate accounted till December 31, 2013.

21. Dividend

On April 1, 2014 shareholders of the Company approved dividend of AED 89.7 million (AED 0.25 fils per share) (2012: AED 71.76 million that is AED 0.20 fils per share) for the financial year ended on December 31, 2013.

22. Cost of sales

	Unaudited Three months period ended June 30, 2014 AED'000	Unaudited Three months period ended June 30, 2013 AED'000	Unaudited Six months period ended June 30, 2014 AED'000	Unaudited Six months period ended June 30, 2013 AED'000
Material expenses	33,532	42,835	43,528	65,508
Factory utilities	16,670	13,401	32,875	23,763
Staff costs	5,694	5,346	10,770	12,233
Depreciation	3,948	3,735	7,893	7,370
	59,844	65,317	95,066	108,874

23. Other income

	Unaudited Three months period ended June 30, 2014 AED'000	Unaudited Three months period ended June 30, 2013 AED'000	Unaudited Six months period ended June 30, 2014 AED'000	Unaudited Six months period ended June 30, 2013 AED'000
Rental income from investment property	927	1,080	1,757	1,747
Other rental income	1,556	1,780	3,439	3,478
Income from scrap sales	776	843	1,736	1,681
Gain on disposal of P.P.E.	43	-	43	-
Other income	147	123	252	123
	3,449	3,826	7,227	7,029

24. Administration, selling and general expenses

	Unaudited Three months period ended June 30, 2014 AED'000	Unaudited Three months period ended June 30, 2013 AED'000	Unaudited Six months period ended June 30, 2014 AED'000	Unaudited Six months period ended June 30, 2013 AED'000
Staff salaries and benefits	4,069	5,466	7,667	10,305
License fees	-	-	193	214
Insurance	-	5	264	466
Communication	33	40	91	70
Repair and maintenance	816	1,232	1,785	2,290
Travelling and conveyance expenses	55	77	116	123
Legal and professional	67	68	173	168
Electricity and water	97	68	161	176
Depreciation	846	310	1,209	630
Other	250	303	532	487
Finance Charges	204	67	497	469
	6,437	7,636	12,688	15,398

25. Finance costs

Finance costs represent interest paid on overdrafts and bank loans. Interest paid on bank loan obtained to finance its associate and such interest has been recovered in full from associate.

26. Financial income

	Unaudited Three months period ended June 30, 2014 AED'000	Unaudited Three months period ended June 30, 2013 AED'000	Unaudited Six months period ended June 30, 2014 AED'000	Unaudited Six months period ended June 30, 2013 AED'000
Interest income:				
- bank deposits	-	1	-	1
- investments	7,612	9,122	16,124	24,014
Gain on disposal of available for sale financial assets	6,168	9,147	6,168	9,147
Dividend income on available for sale of financial assets	13,192	16,042	36,874	38,587
Financial income	26,972	34,312	59,166	71,749
Loss on disposal of available for sale investments	-	9,819	1,347	9,819
Financial expense	-	9,819	1,347	9,819
Financial income net	26,972	24,493	57,819	61,930

27. Earnings per share

	Unaudited Three months period ended June 30, 2014	Unaudited Three months period ended June 30, 2013	Unaudited Six months period ended June 30, 2014	Unaudited Six months period ended June 30, 2013
Net profit attributable to shareholders	33,131	21,944	67,070	64,347
Weighted average number of shares	358,800	358,800	358,800	358,800
Earnings per share	0.09	0.06	0.19	0.18

28. Segment reporting

The Company's activities comprise two main business segments, manufacturing and selling cement and cement related products and investment in marketable securities and derivative products. The details of segment revenue, segment result, segment assets and segment liabilities have been provided on page 24.

29. Financial instruments

Capital risk management

The capital is managed by the Company in a way that it is able to continue as a going concern while maximizing return to stakeholders.

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

As a risk management policy, the Company reviews its cost of capital and risks associated with capital. The Company balances its capital structure based on the above review.

Market risk management

The Company is primarily exposed to the financial risks of changes in foreign currency exchange rates (currency risk), interest rates (interest rate risk) and market prices (other price risk).

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

29. Financial instruments *(Continued)*

Market risk management *(Continued)*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument of the Company, or factors affecting all similar financial instruments traded in the market.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuation arise. The Company is mainly exposed to US Dollars. The US Dollar has been pegged against the United Arab Emirates Dirham ("AED"), hence no exchange risk is considered to exist.

Interest rate risk management

The Company is exposed to interest rate risk on cash at bank (including time deposits), available for sale investments and interest rate swap contracts.

If the interest rates on available for sale investments have had been 50 base points higher or lower and all other variables were held constant, the Company's profits would have increased or decreased by AED 38,060 (June 30, 2013: AED 45,615).

Other price risk management

The Company is exposed to other price risks in market on its equity investments. Investments in equity instruments are generally held for long term and are not traded actively.

If equity prices in market had been 10% higher/lower:

- Available for sale investment valuation reserve would increase/decrease by AED 106.52 million (December 31, 2013: AED 89.43 million).
- The profit would be unaffected as equity investments are classified as available for sale.

Credit risk management

Credit risk is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company is exposed to credit risk from its financial assets which comprise principally of fixed deposits, bank balances, trade and other receivables, due from related parties and investments. The credit risk on trade receivables is subjected to credit evaluations and an allowance may be made for estimated irrecoverable amounts. The Company is not exposed to any significant concentration of credit risk because its exposure is spread over financial institutions.

29. Financial instruments *(Continued)*

Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company has built appropriate liquidity risk management framework for the management of its short, medium and long term funding and liquidity requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cashflows.

Financial instruments by category

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
Financial assets		
Available for sale investments	**1,534,784**	1,355,393
Loans and receivables:		
- Trade and other receivables	**143,309**	130,676
- Due from related parties	**47,393**	71,405
- Loan to associate	**365,500**	388,000
Cash and bank balances	**35,918**	37,923
Financial liabilities		
Other financial liabilities		
- Trade and other payables	**50,378**	53,676
- Due to related parties	**7,043**	2,138
Bank loans	**365,500**	388,000

30. Contingent liabilities

	Unaudited June 30, 2014 AED'000	Audited December 31, 2013 AED'000
Letters of guarantee	**3,109**	3,109
Letters of credit	**1,428**	3,493

31. Operating leases

Leases as lessee

The Company has leased plots of land under operating leases on which residential flats for staff accommodation are located. These leases typically run for a period of one year, with an option to renew the lease after that date. The lease rentals are usually renewed to reflect market rentals.

Leases as lessor

The Company had leased residential villas on operating leases to earn rental income. These leases typically run for a period of one year, with an option to renew the lease after that date. The lease rentals are usually renewed to reflect market rentals.

32. Comparative figures

Previous period figures which were not material have been regrouped or reclassified wherever necessary to make them comparable to those of the current period.

Segment report as on June 30, 2014

	Six months period ended June 30, 2014 (Unaudited)			Six months period ended June 30, 2013 (Unaudited)		
	Cement	Investment in marketable securities and derivative products	Total	Cement	Investment in marketable securities and derivative products	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Segment revenue	109,782	57,819	167,601	119,676	61,930	181,606
Segment result	14,716	57,819	72,535	10,802	61,930	72,732
Other income	-	-	7,227	-	-	7,029
Unallocated expenses	-	-	(12,692)	-	-	(15,414)
Net profit for the year	-	-	67,070	-	-	64,347
Segment assets	483,663	1,534,784	2,018,447	515,427	1,006,632	1,522,059
Investment in equity accounted investee	-	-	60,445	-	-	69,679
Other assets	-		368,424	-	-	415,924
Total assets	483,663	1,534,784	2,447,316	515,427	1,006,632	2,007,662
Segment liabilities	82,392	-	82,392	113,613	-	113,613
Other liabilities	-	-	365,500	-	-	413,000
Total liabilities	82,392	-	447,892	113,613	-	526,613
Capital expenditure	1,853	132,183	134,036	6,986	173,719	180,705
Depreciation	9,103	-	9,103	8,000	-	8,000