NATIONAL CEMENT COMPANY
(PUBLIC SHAREHOLDING CO.)
DUBAI

Annual report and financial statements

Year ended December 31, 2013

National Cement Company (Public Shareholding Co.), Dubai

Annual report and financial statements for the year ended December 31, 2013

Contents

شركة الإسمنت الوطنية ش.م.ع.
National Cement Co. p.s.c.

BOARD OF DIRECTORS REPORT FOR THE YEAR ENDED ON 31.12.2013

Dear Shareholders,
"Assalam Alaikum",

On my behalf and also on behalf of the Board of Directors of National Cement Company (PSC), Dubai, we are pleased to welcome you and would like to thank all the shareholders for attending to this General Assembly Meeting. It is our pleasure to put forward a brief report about the results of the Company based on the Audited Financial Statements for the year 2013.

First : Production

The production target based on the market demand of all types of cement has been achieved at 1,292,535 Tons for the year 2013 where as the value of cement sales was AED.243,087,500

Second : Project

The difference between production capacity and demand for cement has led to the existence of pressure on the selling price of cement Hence National Cement Company still Seeks finding ways to reduce the cost of production by :

1 - Reduce the cost of thermal energy.

2 - Reducing the cost of raw materials, using alternative materials available at low price.

3 -The focus was on reducing the cost of electricity per ton, and the company continues to harness all its efforts to extract thermal energy from the Kiln to utilize The Heat Recovery as Source of electricity.

4 – Due to lack of demand for the purchase of cement in the United Arab Emirates and for the capacity utilization The management of the company Followed on the instructions of the Board of Directors to export clinker to Yemen and Saudi Arabia.

5 - The company is in the process of selection of appropriate technology to be applied to achieve greater progress and growth where those efforts have been reflected on what has been achieved Through profits during the year.

شركة الإسمنت الوطنية ش.م.ع
National Cement Co. p.s.c.

Third : Profit

The profit for the year ended on 31.12.2013 is amounting to AED.101,478,000. After discussion on the financial accounts, the Board Of Directors suggest to appropriate profit for the year 2013 as below;

1- A cash dividend payment of 25% of paid-up capital;
2- Since the statutory reserve; is already 50% of the paid up capital, there is no need to transfer any further amount;
3- Since the General Reserve is already more than 10% of the paid up capital, there is no need to transfer any further amount;
4- The Board of "Directors fees has been fixed at AED.250,000/- for each sitting Director;
5- the company has accounted its share of profit of associate of AED. 10,972,000 during the year based on equity method of accounting. The directors have recommended To transfer to special reserve an amount of AED. 15,900,000 being the profit from associate accounted till current year so as to take care of any contingencies arising until the profits from the associate have been distributed and received by the company

Fourth : Balance Sheet

The Company has completed its annual accounts and prepared financial statement for the year ended on 31.12.2013 and handed over to the Auditors, M/s B.D.O CHARTERED ACCOUNTANTS & ADVISORS and the Representative of the Auditors, to audit and discuss the matter about the financial statement.

The Board of Directors finally on the occasion of the closing of the Accounts of the Company, would like to thank all the concerned who have contributed by their efforts for the development of the Company and express good wishes in the future.

"Assalam Alaikum"....

Deputy Chairman

Mr. Thani Abdullah Alzaffin

BDO

هاتف : ٩٧١ ٤ ٢٢٢ ٢٨٦٩+
فاكس : ٩٧١ ٤ ٢٢٧ ٠١٥١+

الطابق الثالث. برج الفطيم
شارع آل مكتوم . ديرة
ص.ب. ١٩٦١ . دبي . إ. 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

Independent Auditors' Report

To the shareholders of National Cement Company (Public Shareholding Co.), Dubai

Report on the financial statements

We have audited the accompanying financial statements of National Cement Company (Public Shareholding Co.), Dubai ("the Company"), which comprise the statement of financial position as at December 31, 2013, the 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 notes.

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. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 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 auditors' 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 auditors consider internal controls 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 internal controls. 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.

Opinion

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of National Cement Company (Public Shareholding Co.), Dubai as at December 31, 2013, and of 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

We have obtained all the information and explanations, which were necessary for the purposes of our audit and no violation of the UAE Commercial Companies Law No. 8 of 1984 (as amended) or of the constitution of the Company came to our attention, which would materially affect the Company's financial position.

In our opinion, the Company maintains proper books of account and the accompanying financial statements are in agreement therewith. The Company has also conducted stocktaking in accordance with established principles and the financial information contained in the Directors' report conforms to the financial statements.

BDO CHARTERED ACCOUNTANTS & ADVISORS
Yunus Yusuf Saifee
Reg. No. 418
February 26, 2014
Dubai

National Cement Company (Public Shareholding Co.), Dubai

Statement of financial position at December 31, 2013

	Note	AED'000	2012 AED'000
Non current assets			
Property, plant and equipment	5	200,878	206,516
Investment properties	6	2,924	2,924
Investment in marketable securities	7	1,354,174	1,060,595
Investment in an associate	8	60,445	69,679
Loan receivable from associate	9	343,000	388,000
Total non current assets		1,961,421	1,727,714
Current assets			
Investment in marketable securities	7	1,219	950
Loan receivable from associate	9	45,000	25,000
Inventories	10	56,019	86,009
Trade And Other Receivables	11	131,082	142,525
Due from related parties	12	71,405	56,097
Bank balances and cash	13	37,923	30,304
Total current assets		342,648	340,885
Current liabilities			
Due to related parties	12	2,138	20,754
Bank loan	14	45,000	25,000
Trade and other payables	15	53,676	50,614
Total current liabilities		100,814	96,368
Net current assets		241,834	244,517
Non current liabilities			
Provision for employees' end of service gratuities	16	24,794	23,380
Bank loan	14	343,000	388,000
Net assets		1,835,461	1,560,851
Equity			
Share capital	17	358,800	358,800
Share application money payable		26	26
Fair value reserve	18	693,711	426,614
General reserve	19	316,517	316,517
Statutory reserve	20	179,402	179,402
Foreign exchange reserve	8	(38,154)	(17,949)
Retained earnings		325,159	297,441
Total equity		1,835,461	1,560,851

These financial statements were approved and authorised for issue by the Board of Directors on February 26, 2014 and were signed on their behalf by:

Director

Director

National Cement Company (Public Shareholding Co.), Dubai

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

	Note	AED'000	2012 AED'000
Revenue		**243,087**	191,425
Cost of sales	22	**(206,249)**	(164,033)
Gross profit		**36,838**	27,392
Other income	23	**13,986**	13,773
		50,824	41,165
Administration, selling and general expenses	24	**(31,951)**	(30,604)
Finance costs	25	**(120)**	(5,596)
Share of net profit in associate	8	10,971	552
		29,724	5,517
Finance income	26	**71,754**	62,783
Net profit for the year		**101,478**	68,300
Net movement in fair value of available for sale investments	7	**274,460**	(297,093)
Change in foreign exchange translation reserve	8	**(20,205)**	(17,949)
Other comprehensive income for the year		**254,255**	(315,042)
Total comprehensive income for the year		**355,733**	(246,742)
Basic and diluted earnings per share (AED)	27	**0.28**	0.19

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

	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	Retained earnings AED'000	Total equity AED'000
Balance as at January 1, 2012	**358,800**	**26**	**714,665**	**316,517**	**179,402**	-	**302,401**	**1,871,811**
Transfer on dereocgnition of investments to statement of comprehensive income	-	-	9,042	-	-	-	-	9,042
Total comprehensive income for the year	-	-	(297,093)	-	-	(17,949)	68,300	(246,742)
Dividend	-	-	-	-	-	-	(71,760)	(71,760)
Directors' fee	-	-	-	-	-	-	(1,500)	**(1,500)**
Balance at December 31, 2012	**358,800**	**26**	**426,614**	**316,517**	**179,402**	**(17,949)**	**297,441**	**1,560,851**
Transfer on dereocgnition of investments to statement of comprehensive income	-	-	(7,363)	-	-	-	-	**(7,363)**
Total comprehensive income for the year	-	-	274,460	-	-	(20,205)	101,478	**355,733**
Dividend	-	-	-	-	-	-	(71,760)	**(71,760)**
Directors' fee	-	-	-	-	-	-	(2,000)	**(2,000)**
Balance at December 31, 2013	**358,800**	**26**	**693,711**	**316,517**	**179,402**	**(38,154)**	**325,159**	**1,835,461**

The notes on pages 7 to 40 form part of these financial statements

National Cement Company (Public Shareholding Co.), Dubai

Statement of cash flow for the year ended December 31, 2013

	Note	AED'000	2012 AED'000
Cash flows from operating activities			
Net profit for the year		101,478	68,300
Adjustments for:			
Depreciation	5	16,314	13,117
Gain on disposal or property, plant and equipment		(96)	(807)
Loss/(Gain) on disposal of Investment in marketable securities	26	5,741	(326)
Share of profit in an associate	8	(10,971)	(552)
Provision for employees' end of service gratuities	16	3,020	2,125
Financial income and expense (net)	26	(77,495)	(62,457)
Operating proft before working capital changes		37,991	19,400
Change in inventories	10	29,990	(28,364)
Change in trade and other receivables	11	11,443	18,929
Change in due from related parties	12	(15,308)	93,412
Change in trade and other payables	15	(1,743)	4,503
Change in due to related parties	12	(18,616)	16,612
Payment of end of service benefits	16	(1,606)	(3,973)
Net cash generated from operating activities		42,151	120,519
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(10,676)	(36,242)
Investment in marketable securities	7	(351,377)	(201,609)
Investment in associate	8	-	(8,353)
Loan receivables from associate	9	25,000	(413,000)
Proceeds from disposal of property, plant and equipment		96	810
Proceeds from disposal of investment in marketable securities	7	318,885	279,951
Dividend income	26	43,492	30,946
Interest income	26	34,003	31,511
Net cash from/(used in) investing activities		59,423	(315,986)
Cash flows from financing activities			
Dividend	22	(66,955)	(67,365)
Change in bank loans	14	(25,000)	273,511
Directors' fee	31	(2,000)	(1,500)
Net cash (used in)/ from financing activities		(93,955)	204,646
Net increase in cash and cash equivalents		7,619	9,179
Cash and cash equivalents at beginning of the year		30,304	21,125
Cash and cash equivalents at end of the year	13	37,923	30,304

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 Commercial Companies 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 was listed on the Dubai Financial Market in 2005.

The financial statements for the year ended December 31, 2013 were authorized for issue by the Board of Directors on February 26, 2014.

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

2. Adoption of new and revised standards

New standards, interpretations and amendments effective from January 1, 2013

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.

- ***IAS 1 - Presentation of Items of Other Comprehensive Income - Amendments to IAS 1***

  The amendment requires that items of other comprehensive income must be grouped together into two sections:

  - Those that will or may be reclassified into profit or loss
  - Those that will not.

  As the amendment only affects presentation, there is no effect on the Company's financial position or performance.

- ***IFRS 10 'Consolidated financial statements' (Effective for annual periods beginning on or after January 1, 2013)***

  IFRS 10 supersedes IAS 27(2008) Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities, and introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby control exists when all of the following conditions are present:

  - Power over investee;
  - Exposure, or rights, to variable returns from investee;
  - Ability to use power over investee to affect the entity's returns from investee.

  Other changes introduced by IFRS 10 include:

  - The introduction the concept of 'de facto' control for entities with less than a 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders;

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

- Potential voting rights are only considered when determining if there is control when they are substantive (holder has practical ability to exercise) and the rights are exercisable when decisions about the investees activities that affect the investors return will or can be made;
- Specific guidance for the concept of 'silos', where groups of assets (and liabilities) within one entity are ring-fenced, and each group is considered separately for consolidation.

The amendment has no impact on the Company's financial position or performance on adoption.

- ***IFRS 12 Disclosure of Interests in Other Entities***

IFRS 12 sets out the disclosure requirements relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the reporting entity's relationship with other entities.

As the new standard affects only disclosure, there is no effect on the Company's financial position or performance.

- ***IFRS 13 Fair Value Measurement***

IFRS 13 sets out the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements and/or disclosures are required or permitted by other IFRSs.

As a result, the guidance and requirements relating to fair value measurement that were previously located in other IFRSs have now been relocated to IFRS 13.

While there has been some rewording of the previous guidance, there are few changes to the previous fair value measurement requirements. Instead, IFRS 13 is intended to clarify the measurement objective, harmonise the disclosure requirements, and improve consistency in application of fair value measurement.

IFRS 13 did not materially affect any fair value measurements of the Company's assets or liabilities, with changes being limited to presentation and disclosure, and therefore has no effect on the Company's financial position or performance.

In addition, IFRS 13 is to be applied prospectively and therefore comparative disclosures have not been presented.

See note 4 Critical accounting estimates and judgments for more details and further references related to fair value measurement

- ***IAS 19 Employee Benefits (Revised 2011) (Effective for annual periods beginning on or after January 1, 2013)***

The main changes as a consequence of the revision of IAS 19 include:

- Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans
- Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in other comprehensive income rather than in profit or loss, and cannot be reclassified in subsequent periods

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

- Amendments to the timing of recognition for liabilities for termination benefits
- Employee benefits expected to be settled (as opposed to 'due to be settled') wholly within 12 months after the end of the reporting period are short-term benefits, and are not discounted.

The Company has no material amounts of other employee benefits expected to be settled beyond 12 months.

- ***Amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after January 1, 2013)***

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

The amendment has no impact material impact on the Company's financial position or performance on adoption.

- ***IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) (Effective for annual periods beginning on or after January 1, 2013)***

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

The amendment has no impact on the Company's financial position or performance on adoption.

- ***Annual Improvements to IFRSs 2009-2011 Cycle (Effective for annual periods beginning on or after January 1, 2013):***

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period. The annual improvement has not impacted the Company's financial position or performance on adoption.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The annual improvement has not impacted the Company's financial position or performance on adoption.

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

IAS 34 ***Interim Financial Reporting***

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures. The amendment has no impact on the Company's financial position or performance on adoption.

New standards, interpretations and amendments not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective for annual periods beginning on or after January 1, 2013:

- ***IFRS 9 'Financial instruments (2009)' (Effective for annual periods beginning on or after January 1, 2015)***

  The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no earlier than the accounting period beginning on or after January 1, 2015.

- ***IFRS 9 'Financial instruments (2010)' (Effective for annual periods beginning on or after January 1, 2015)***

  A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.

  The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss - in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

  The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no earlier than the accounting period beginning on or after January 1, 2015.

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

- ***IFRS 9 'Financial instruments (2013)' (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (Effective for annual periods beginning on or after January 1, 2015)***

  A revised version of IFRS 9 incorporating revised requirements a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. It also permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss.

  The revised version also removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalisation of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application.

  The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no earlier than the accounting period beginning on or after January 1, 2015.

- ***IAS 19 Defined Benefit Plans: Employee Contributions (Effective for annual periods beginning on or after July 1, 2014)***

  The amendment to IAS 19 Employee Benefits clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in those contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

  These amendments will not impact the Company's financial position or performance and becomes effective for annual periods beginning on or after July 1, 2014.

- ***IAS 32 Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after January 1, 2014)***

  The amendment to IAS 32 Financial Instruments: Presentation clarifies certain aspects because of diversity in application of the requirements on offsetting, focusing on the following aspects:

  - the meaning of 'currently has a legally enforceable right of set-off';
  - the application of simultaneous realisation and settlement;
  - the offsetting of collateral amounts;
  - the unit of account for applying the offsetting requirements.

  These amendments will not impact the Company's financial position or performance and becomes effective for annual periods beginning on or after January 1, 2014.

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

- ***IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Effective for annual periods beginning on or after January 1, 2014)***

  The amendment to IAS 36 Impairment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

  These amendments will not impact the Company's financial position or performance and becomes effective for annual periods beginning on or after January 1, 2014.

3. Significant accounting policies

These financial statements are prepared under the historical cost convention except for financial instruments classified under available for sale and are in accordance with International Financial Reporting Standards. These financial statements also comply with the requirements of UAE Commercial Companies Law No. 8 of 1984 (as amended). The significant accounting policies adopted are as follows:

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

Capital work in progress is stated at cost. All costs related to specific assets incurred during the year are carried under this. These are transferred to specific assets when they are available for use.

Depreciation

Depreciation is provided consistently on a straight line basis so as to write off the cost of property, plant and equipment over their estimated useful lives as follows:

Buildings	3-14 years
Plant and machinery	3-25 years
Furniture, fixture and equipments	4-7 years
Motor vehicles	3 years

Investment properties

Investment properties are initially accounted for by using the cost model under *International Accounting Standard 40 Investment property* and subsequent measurements are done in accordance with the requirements of International Accounting Standard 16 *Property, plant and equipment* for that model.

Investment properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is provided consistently on a straight line basis so as to write off the cost of investment properties over their estimated useful lives. Land forming part of the investment properties is not depreciated. Buildings forming part of the investment properties have been depreciated from the date of acquisition on a straight line basis so as to write off the cost of buildings over their estimated useful life of 10 years.

3. Significant accounting policies *(Continued)*

Investment in associate

Where the Company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Unrealised gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Company.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the statement of comprehensive income.

Joint arrangements

The Company is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:

- *Joint ventures*: where the group has rights to only the *net assets* of the joint arrangement
- *Joint operations*: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Company considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

The Company accounts for its interests in joint ventures in the same manner as investments in Associates (i.e. using the equity method - refer above).

Any premium paid for an investment in a joint venture above the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Company accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

3. **Significant accounting policies** ***(Continued)***

Impairments of non-financial assets (excluding inventories and investment properties)

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Company's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in statement of comprehensive income, except to the extent they reverse gains previously recognised in other comprehensive income.

Impairment on financial assets

The carrying amounts of the Company's financial assets are reviewed annually at each date of statement of financial position to determine whether the assets have been impaired during the year. Where an asset has been impaired, the recoverable amount of the asset is determined. Where the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount. The resultant impairment loss is recognised as an expense in the statement of comprehensive income.

Inventories

Inventories are stated at lower of cost and net realisable value. Cost of raw materials is based on weighted average cost basis and includes expenditure incurred in acquiring raw material and bringing them to their present location and condition. Cost of work in progress and finished goods is based on weighted average cost basis and includes cost of raw material and attributable production labour and overheads. Cost of consumables and spare parts are valued based on the weighted average cost basis. Net realisable value is based on the normal selling price, less cost expected to be incurred on disposal.

Financial assets

All financial assets are recognised and derecognised on trade date 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 are classified into the following specified categories: financial assets at fair value through profit or loss, held to maturity investments, loans and receivables and available for sale financial assets.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

- Financial assets are classified as fair value through profit or loss when the financial asset is either a held for trading investment or it is designated as fair value through profit or loss. A financial asset is classified as 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 a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

3. Significant accounting policies *(Continued)*

Financial assets (Continued)

- Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

- Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Loans and receivables comprise of trade receivables, due from related parties, loan receivable from associate and other receivables that have fixed or determinable payments and are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Available for sale financial assets are listed shares and listed redeemable notes held by the Company that are traded in an active market and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market but are also classified as available for sale financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in statement of comprehensive income and accumulated in the fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to statement of comprehensive income.

Derivative financial instruments are categorized as held for trading unless they are designated as hedges. The Company has derivative instruments which do not qualify for hedge accounting. Changes in the fair value of such derivative financial instruments that do not qualify for hedge accounting are recognized immediately in the statement of comprehensive income.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Provisions

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

Employees' end of service gratuities

Provision is made for employees' end of service gratuities on the basis prescribed in the UAE Labour Law, for the accumulated period of service at the date of statement of financial position.

Under Federal Labour Law No.7 of 1999 for pension and social security, employers at the option of the employee are required to contribute 15% of the 'contribution calculation salary' of those employees who are UAE national to the scheme. These employees are also required to contribute 5% of the 'contribution calculation salary' to the scheme. The UAE national's employed by the Company have not opted for this scheme and hence no expense is incurred by the Company on this scheme.

3. Significant accounting policies *(Continued)*

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The Company's financial liabilities consist of trade and other payables, bank loan and due to related parties. The trade and other payables and due to related parties are stated at cost and bank loan is recorded at the proceeds received less repayment. Other financial liabilities are initially measured at fair value, net of transaction costs. The subsequent measurement is at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis.

Revenue recognition

Revenue from the sales of goods is recognised net of discounts, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount is measured reliably.

Rental income from investment properties and from other facilities leased is recognised on straight line basis over term of the relevant lease period.

Interest income is accrued once right to receive is established. Dividend income from investment is recognised when the shareholder's right to receive payment has been established.

Leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity instruments.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is recognized when declared by the directors. In the case of final dividends, this is recognised when approved by the shareholders at the AGM.

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

3. Significant accounting policies *(Continued)*

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Profit or loss attributable to ordinary shareholders will be adjusted for any after tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity. Diluted EPS is calculated by dividing profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

Foreign currencies

Transactions in foreign currencies during the year are converted into AED at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated to AED at the rates of exchange ruling at the date of statement of financial position. All gains and losses on exchange are taken to the statement of comprehensive income.

Exchange difference arising on translation of investment in associate is taken as part of other comprehensive income of the year.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash, bank balances, bank overdrafts and fixed deposits free of encumbrance with maturity periods of three months or less from the date of deposit.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Key sources of estimation uncertainty

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

IFRS 7 fair value measurement hierarchy

The classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement, has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) 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 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

4. Critical accounting judgments and key sources of estimation uncertainty *(Continued)*

IFRS 7 fair value measurement hierarchy (continued)

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Classification of investments

The management classifies the investments made as investment in associate or joint arrangement or as available for sale considering various factors and the purpose of such investments. These factors include assessment of whether the Company has significant influence over the financial and operating policy decision or has joint control over the relevant activities. The management assesses such factors on regular basis for the classification of investments.

Estimated useful life of property, plant and equipment

Property, plant and equipment is depreciated over its estimated useful life, which is based on estimates for expected usage of the asset and expected physical wear and tear which are dependent on operational factors. Management has not considered any residual value or any adjustments for the remaining estimated useful life based on the internal review carried out.

Impairment of property, plant and equipment

The Company reviews its property, plant and equipment to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recorded in the statement of comprehensive income, the Company makes judgment as to whether there is any observable data indicating that there is a reduction in the carrying value of property, plant and equipment. Accordingly, provision for impairment is made when there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property, plant and equipment.

Valuation of investment properties

The Company carries its investment properties under the cost model. Note 6 contain information about the valuation methodology adopted by the Company for the valuation of investment properties.

Impairment losses on available for sale investments

The Company determines that available for sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates factors such as change in market rate of the equity instruments since the purchase date of such instrument, the market scenario and the financial performance of the issuer.

Obsolete Inventories

Inventories are stated at the lower of cost and net realisable value. Adjustments have been made to reduce the cost of inventory to its realisable value, if required, for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing and quality issues. Revisions to these adjustments would be required if these factors differ from the estimates.

4. Critical accounting judgments and key sources of estimation uncertainty *(Continued)*

Impairment losses on trade receivables

The Company reviews its receivables to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables and amounts due from related parties. In determining whether impairment losses should be recorded in the statement of comprehensive income, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Impairment of investment in associate

The Company tests its investment in associate for impairment when indicators exist. In determining whether impairment losses should be recorded in the statement of comprehensive income, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

5. Property, plant and equipment

Movements in property, plant and equipment are given on page 39.

Some of the buildings with zero net book value are situated on plots of land obtained under operating lease arrangements which are renewable annually. The management is of the opinion that the leases are renewable and the land will be available to the Company in the foreseeable future.

6. Investment properties

Investment properties represent land and villas constructed on those lands held for rental purpose and for capital appreciation.

6. Investment properties *(Continued)*

Movement in investment properties is as follows:

	Land	Villas	Total
	AED'000	AED'000	AED'000
Cost			
At January 1, 2012	2,924	16,575	19,499
At December 31, 2012	2,924	16,575	19,499
At December 31, 2013	**2,924**	**16,575**	**19,499**
Depreciation			
At January 1, 2012	-	16,575	16,575
At December 31, 2012	-	16,575	16,575
At December 31, 2013	**-**	**16,575**	**16,575**
Net book value			
At December 31, 2013	**2,924**	**-**	**2,924**
At December 31, 2012	2,924	-	2,924

The fair market value of investment properties, including land, is estimated to be in the range of AED 45 million to AED 50 million (2012: AED 45 million to 50 million) as per the internal valuation carried out by the management. The valuation was based on an assessment of the market prices for similar properties and on the basis of future rentals.

Land forming part of the investment properties is not depreciated.

Summary of income and expenses from investment properties generating rental income is as follows:

		2012
	AED'000	AED'000
Rental income	**4,082**	2,768
Direct operating expenses	**414**	421

6. Investment properties *(Continued)*

During the year there is no significant change in fair market value of investment properties, including land.

At December 31, 2013 there were no restrictions on the realisability of investment property or the remittance of income and proceed of disposal (2012: AED Nil).

There are currently no obligations to construct or develop the existing investment properties. At December 31, 2013, there were no contractual obligations to purchase investment property (2012: AED Nil).

7. Investment in marketable securities

		2012
	AED'000	AED'000
Non current investments	**1,354,174**	1,060,595
Current investments	**1,219**	950
	1,355,393	1,061,545

Non-current investments represents available for sale investments in securities 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.

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

		2012
	AED'000	AED'000
Equity insturments	**894,511**	619,367
Other instruments	**460,882**	442,178
	1,355,393	1,061,545

7. Investment in marketable securities *(Continued)*

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

		2012
	AED'000	AED'000
Opening balance	1,061,545	1,427,612
Additions	351,377	201,609
Disposals/redeemed	(324,626)	(279,625)
Reclassification adjustments on disposal of investments	(7,363)	9,042
Fair value changes	274,460	(297,093)
	1,355,393	1,061,545

During the year, the Company has recognised a fair value gain of AED 274.46 million (2012: fair value loss of AED 297.09 million), to other comprehensive income.

At the date of statement of financial position, investments amounting to AED 53.10 million (2012: AED 50.35 million) classified under non-current investments are stated at cost. In the opinion of the management, the fair value of these investments is not significantly different from their carrying amounts.

At the date of statement of financial position, investments in marketable securities amounting to AED 364.33 million (2012: AED 293.4 million) are held in the personal name of one of the Company's Director on behalf of the Company.

Investments amounting to AED 649 million (2012: AED 715 million) are pledged with the bank against the loan of AED 388 million (2012: AED 413 million).

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 34 to the financial instruments.

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

		2012
	AED'000	AED'000
Equity insturments	187,225	187,225
Other instruments	498,053	471,303
	685,278	658,528

7. Investment in marketable securities *(Continued)*

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

	AED'000	2012 AED'000
Opening balance	658,528	736,544
Additions	351,377	201,609
Disposals	(324,627)	(279,625)
	685,278	658,528

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

	AED'000	2012 AED'000
Realised (loss)/gain on disposal attributable to difference between selling price and carrying amount of investments	1,622	9,368
Reclassification adjustments on disposal of investments	(7,363)	(9,042)
	(5,741)	326

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

	AED'000	2012 AED'000
United Arab Emirates	944,020	698,267
Saudi Arabia	261,208	213,001
Other countries	150,165	150,277
	1,355,393	1,061,545

8. Investment in an associate

Investment in associate company represents 22.74% (2012: 22.74%) share in Berber Cement Company Ltd, a limited liability company incorporated in 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 management accounts of the associate as at December 31, 2013.

The following table summarizes the investment in Berber Cement Company Ltd:

		2012
	AED'000	AED'000
Beginning balance	69,679	78,723
Increase in share of investment	-	8,353
Foreign exchange translation reserve	(20,205)	(17,949)
Share of profit in associate	10,971	552
	60,445	69,679

The following table summarizes the financial information of the Company's investment in Berber Cement Company Ltd:

		2012
	AED'000	AED'000
Share of net assets of associate (22.74%)		
Current assets	50,090	15,511
Non current assets	159,674	163,900
Current liabilities	(41,823)	(20,561)
Non current liabilities	(107,496)	(89,171)
Net assets	60,445	69,679

		2012
	AED'000	AED'000
Share of associate's revenue and profit (22.74%)		
Revenue	54,865	36,747
Net profit	10,971	552

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.

9. Loan receivable from associate

This amount represents AED denominated 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 payable after twelve months from the date of statement of financial position has been classified under non-current assets.

10. Inventories

		2012
	AED'000	**AED'000**
Raw materials	**22,882**	33,423
Work in progress	**11,408**	32,364
Finished goods	**4,383**	1,550
Consumable and spare parts	**24,468**	25,794
Provision for obsolence	**(7,122)**	(7,122)
	56,019	86,009

Inventories are stated net of allowance for slow moving and obsolete items. The cost of inventories recognized during the year is AED 122.45 million (2012: AED 93.44 million)

11. Trade and other receivables

		2012
	AED'000	**AED'000**
Trade receivables	**56,019**	82,061
Allowance for doubtful debts	**(6,000)**	(6,000)
Trade receivables (net)	**50,019**	76,061
Advances and other receivables	**6,789**	14,512
Advance towards investment	**73,868**	51,824
Prepayments	**406**	128
	131,082	142,525

11. Trade and other receivables *(Continued)*

Advance towards investments represents the advances extended to United Cement Group, Syria towards setting-up of a cement company in Syria. During the year, the Company has made further investment of AED 22.04 million during the year. This investment is routed through special purpose vehicle.

The credit period offered by the Company differs for each customer. Ranges of credit period offered for its customers are 0 days, 30 days, 45 days, 60 days, 75 days, 90 days or 120 days from the date of invoice. No interest is charged on trade receivables which are past due.

The Company has obtained bank guarantees from some of its customers which act as a collateral security for the amount receivable from those customers and post dated cheques are obtained for the balance amount receivable in excess of the bank guarantee. The amount of trade receivables that is secured against bank guarantees amounts to AED 39.15 million (2012: AED 36.94 million) and total value of collateral security is determined at AED 55.23 million (2012: AED 43.67 million).

There are 4 customers (2012: 5 customers) who represent 69% (2012: 66%) of the total balance of trade receivables. AED 18.57 million (2012: AED 33.97 million) of the trade receivables is neither past due nor impaired. The Company has provided for AED 6 million for receivables amounting to AED 37.45 million which are past due at the reporting date based on its past experience.

Ageing of trade receivables is as under:

		2012
	AED'000	**AED'000**
Amount not past due and not impaired	**18,573**	33,975
Amount past due but not impaired :		
0-30 days	**6,060**	9,077
31-60 days	**3,747**	6,518
61-90 days	**3,914**	3,868
91-120 days	**4,430**	1,802
Above 121 days	**13,295**	20,821
	31,446	42,086
Amount past due and impaired :		
Above 121 days	**6,000**	6,000
Total amount past due	**37,446**	**48,086**

The Company's exposure to credit risk and impairment losses related to loans and receivables is disclosed in Note 29 on financial instruments.

12. Related party disclosures

Related parties include the shareholders, key management personnel, associates any businesses which are controlled directly or indirectly by the Company or over which they exercise significant management influence. The balances due to/from such parties, which have been disclosed separately in the financial statements,

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

	AED'000	2012 AED'000
With associate:		
- Interest income	24,222	-
- Loan repaid	3,178	-
- Share in profit	10,971	552
With other related parties:		
- Sales	107,742	17,036
- Purchase of materials and services	50,020	51,544
With Key Management Personnel:		
- Salaries and other short term benefits	3,126	3,227
- End of service benefits charged to income statement	171	189
- End of service benefits provided at the year end	5,044	5,904
- Directors' fee (as an appropriation from retained earnings)	1,750	1,500

Related party balances are as under:

	AED'000	2012 AED'000
Payables:		
- To other related parties	2,138	20,754
Receivables:		
- From Associate - others	39,715	33,290
- From Associate - short term loan	45,000	25,000
- From Associate - long term loan	343,000	388,000
- From other related parties	25,685	16,818
- From Director	6,005	5,989

13. Bank balances and cash

		2012
	AED'000	AED'000
Cash at hand	**550**	488
Current accounts with banks	**37,373**	29,816
	37,923	30,304

14. Bank loan

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 statement of financial position has been classified under non-current liabilities.

15. Trade and other payables

		2012
	AED'000	AED'000
Trade payables	**9,338**	14,176
Other accruals and payables	**19,772**	17,301
Advances	**481**	107
Directors' fees	**2,000**	1,750
Dividend payable	**22,085**	17,280
	53,676	50,614

The Company has financial risk management policies in place to ensure that payables are paid within the credit time frame.

16. Provision for employees' end of service gratuities

		2012
	AED'000	AED'000
Opening balance	23,380	25,228
Provision created for the year	3,020	2,125
Payments made during the year	(1,606)	(3,973)
Closing balance	24,794	23,380

17. Share capital

		2012
	AED'000	AED'000
Issued and fully paid up:		
358,800,800 shares of AED 1 each	358,800	358,800
Issued for cash		
92,000,000 shares of AED 1 each	92,000	92,000
Bonus shares issued by capitalising retained earnings		
266,800,000 shares of AED 1 each	266,800	266,800
	358,800	358,800

At the date of statement of financial position, the share capital comprised of ordinary equity shares. All issued shares are fully paid. The holders of ordinary equity shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

18. 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:

		2012
	AED'000	**AED'000**
Opening balance	**426,614**	714,665
Net movement in changes in fair value	**274,460**	(297,093)
Reclassification adjustments on disposal of investments	**(7,363)**	9,042
	693,711	426,614

19. 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.

20. 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 allocation has been made to the statutory reserve for the year ended December 31, 2013 as the reserve equaled 50% of the paid share capital.

21. Dividend

For 2013, a cash dividend of AED 89.7 million (AED 0.25 fils per share) has been proposed by the Board of Directors of the Company. The proposed dividend will be submitted for formal approval and declaration at the Annual General Meeting. In 2012, a dividend of AED 71.76 million (AED 0.20 fils per share) was proposed and approved by the shareholders.

22. Cost of sales

		2012
	AED'000	AED'000
Material expenses	122,445	93,442
Utilities and other factory costs	48,474	40,059
Staff costs	20,322	18,752
Depreciation	15,008	11,780
	206,249	164,033

23. Other income

		2012
	AED'000	AED'000
Rental income from investment properties	4,082	2,768
Other rental income	6,067	6,507
Income from sale of by-product and scraps	3,090	2,809
Gain on sale of property, plant and equipment	96	807
Other income	651	882
	13,986	13,773

24. Administration, selling and general expenses

		2012
	AED'000	AED'000
Staff salaries and benefits	**16,721**	15,071
Staff accommodation	**2,573**	2,473
License fees	**215**	220
Insurance	**614**	699
Communications	**131**	141
Repair and maintenance	**7,398**	7,983
Travelling and conveyance expenses	**137**	165
Legal and professional	**268**	266
Electricity and water	**313**	260
Depreciation	**1,306**	1,337
Bank charges	**726**	1,356
Other	**1,549**	633
	31,951	30,604

25. Finance costs

		2012
	AED'000	AED'000
Interest on bank overdraft	**120**	892
Interest on bank loans	**-**	4,704
	120	5,596

The Company has paid interest on bank loan obtained to finance its associate and such interest has been recovered in full from associate.

26. Financial income

		2012
	AED'000	AED'000
Interest income:		
- interest swap contracts	-	3,539
- investments in marketable securities	34,003	27,351
Net revaluation gain (unrealised) on :		
- interest rate swap contracts	-	621
Gain on disposal of available for sale investments:		
- realised gain	4,817	9,368
Dividend income	43,492	30,946
Financial income	82,312	71,825
Loss on disposal of available for sale investments:		
- transferred from equity	(10,558)	(9,042)
Financial expense	(10,558)	(9,042)
Financial income recognised in the statement of comprehensive income	71,754	62,783

27. Earnings per share

		2012
	AED'000	AED'000
Net profit attributable to shareholders	101,478	68,300
Weighted average number of shares	358,800	358,800
Earnings per share	0.28	0.19

28. Segment reporting

Description of the types of products and services from which each reportable segment derives its revenues

The Company has two main segments:

- Production and sale of cement and related products - This segment is involved in the manufacture and distribution of cement and related product i.e. clinker and accounts for 77% (2012: 75%) of its external revenue
- Investment in marketable securities and related products - This segment is involved in investment activity of the Company i.e. purchase and disposals of investment to maximize return on investment and accounts for 23% (2012: 25%) of its external revenue

Factors that management used to identify the Company's reportable segments

The Company's reportable segments are strategic business units. They are managed separately because each unit requires different operating strategies.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team including the General Manager and the Finance Controller.

Measurement of operating segment profit or loss, assets and liabilities

The Company evaluates segmental performance on the basis of profit or loss from operations calculated in accordance with IFRS but excluding non-recurring losses, if any.

There are no inter-segment transactions. Segment assets exclude assets used primarily for corporate purposes. Segment liabilities exclude liabilities that are unallocable to specific segment and are related to corporate purposes. Loans and borrowings are allocated to the segments based on relevant factors (e.g. funding requirements). Details are provided in the reconciliation from segment assets and liabilities to the Company position.

The management has determined that as most of the operations are in the United Arab Emirates and there is no other significant geographical segment, no specific disclosures is made in this regard. The details of segment revenue, segment result, segment assets and segment liabilities have been provided on page 40.

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

29. Financial instruments *(Continued)*

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.

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) and available for sale investments.

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 0.170 million (2012: AED 1.367 million)

If the interest rates on interest rate swap contracts 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 Nil (2012: 0.176 million).

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 89.43 million (2012: AED 10.6 million).
- The profit would be unaffected as equity investments are classified as available for sale.

29. Financial instruments *(Continued)*

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 fixed deposits, bank balances, trade and other receivables, due from related parties and investments. The Company's bank accounts are placed with high credit quality financial institutions. The credit risk on trade and other receivables and due from related parties is subjected to credit evaluations and an allowance has been made for estimated irrecoverable amounts. The amounts presented in the balance sheet are net of allowances for irrecoverable amounts. The Company has obtained collateral security for 70% of its trade receivables and for trade receivables from customers for which there are no collaterals; the management is of the view that the outstanding balances are fully recoverable. The management believes the outstanding balance of other receivables and due from related parties are good and fully recoverable and therefore, there is no requirement to provide for them. The Company limits its exposure to investments by investing in securities where counterparties have credible market reputation. The Company's management does not expect any counterparty to fail. There are 4 customers who represent 69% of the total balance of trade receivables.

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 cash flows.

Derivative contracts

The Company's investments in certain securities normally carry interest which is linked to LIBOR. The Company also enters into certain interest rate swaps contracts and commodity derivative swap contracts. These swap contracts are not designated as hedges and accordingly are treated as free standing derivative contracts. At December 31, 2013 the Company has no outstanding interest rate swap contracts.

29. Financial instruments *(Continued)*

Financial instruments by category

		2012
	AED'000	AED'000
Financial assets		
Available for sale investments	1,355,393	1,061,545
Loans and receivables:		
- Trade and other receivables	130,676	142,397
- Due from related parties	71,405	71,405
Cash and bank balances	37,923	30,304
Financial liabilities		
Other financial liabilities		
- Trade and other payables	53,676	50,614
- Due to related parties	2,138	20,754
Bank loan	388,000	413,000

30. Contingent liabilities and capital commitments

		2012
	AED'000	AED'000
Letters of guarantee	3,109	3,109
Letters of credit	3,493	1,970

Capital commitments at the date of statement of financial position amounts to AED Nil (2012: AED 1 million).

31. Director's fees

These represent fees paid/payable to the Company's directors for serving on any committee, for devoting special time and attention to the business or affairs of the Company and for otherwise performing services outside the scope of their ordinary activities. In accordance with the interpretation of Article 118 of the UAE Commercial Companies Law No. 8 of 1984 as amended by the Ministry of Economy and Commerce, director's fees have been treated as an appropriation of retained earnings.

32. 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.

33. Comparative figures

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

Schedule of property, plant and equipment

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost						
At January 1, 2012	30,570	848,290	12,199	51,972	31,844	974,875
Additions	-	118	1,701	1,995	32,428	36,242
Disposals	-	-	(33)	(3,477)	-	(3,510)
Transfer from CWIP	-	64,272	-	-	(64,272)	-
At December 31, 2012	30,570	912,680	13,867	50,490	-	1,007,607
Additions	-	1,310	1,798	4,516	3,052	10,676
Disposals	-	-	(52)	(160)	-	(212)
Transfer from CWIP	-	2,609	-	-	(2,609)	-
At December 31, 2013	**30,570**	**916,599**	**15,613**	**54,846**	**443**	**1,018,071**
Depreciation						
At January 1, 2012	28,368	702,251	11,482	49,380	-	791,481
Charge for the year	319	10,221	573	2,004	-	13,117
On disposals	-	-	(30)	(3,477)	-	(3,507)
At December 31, 2012	28,687	712,472	12,025	47,907	-	801,091
Charge for the year	230	12,515	1,017	2,552	-	16,314
On disposals	-	-	(52)	(160)	-	(212)
At December 31, 2013	**28,917**	**724,987**	**12,990**	**50,299**	**-**	**817,193**
Net book value						
At December 31, 2013	**1,653**	**191,612**	**2,623**	**4,547**	**443**	**200,878**
At December 31, 2012	1,883	200,208	1,842	2,583	-	206,516

Depreciation for the year is allocated as under:

		2012
	AED'000	AED'000
Cost of sales	**15,008**	11,780
Expenses	**1,306**	1,337
	16,314	13,117

Segment report as on December 31, 2013

	2013			2012		
	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	243,087	71,754	314,841	191,425	62,783	254,208
Segment result	36,838	71,754	108,592	27,392	62,783	90,175
Other income	-	-	13,986	-	-	13,773
Unallocated expenses	-	-	(32,071)	-	-	(36,200)
Results from operating activities			90,507			67,748
Share in net profit						
in equity accounted investee	-	-	10,971	-	-	552
Net profit for the year	-	-	101,478	-	-	68,300
Segment assets	497,307	1,355,393	1,852,700	521,451	1,061,545	1,582,996
Investment in equity						
accounted investee	-	-	60,445	-	-	69,679
Other assets	-		390,924	-	-	415,924
Total assets	497,307	1,355,393	2,304,069	521,451	1,061,545	2,068,599
Segment liabilities	80,608	-	80,608	94,748	-	94,748
Other liabilities	-	-	388,000	-	-	413,000
Total liabilities	80,608	-	468,608	94,748	-	507,748
Capital expenditure	10,676	351,377	362,053	36,242	201,609	237,851
Depreciation	16,314	-	16,314	13,117	-	13,117