NATIONAL CEMENT COMPANY
(PUBLIC SHAREHOLDING CO.)
DUBAI

Interim condensed financial statements

Period ended March 31, 2014

National Cement Company (Public Shareholding Co.), Dubai

Interim condensed financial statements for the period ended March 31, 2014

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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 March 31, 2014, and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the three 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 March 31, 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
May 14, 2014

National Cement Company (Public Shareholding Co.), Dubai

Interim condensed statement of financial position at March 31, 2014

	Note	Unaudited March 31, 2014 AED'000	Audited December 31, 2013 AED'000
Non current assets			
Property, plant and equipment	5	**197,378**	200,878
Investment properties	6	**2,924**	2,924
Investment in marketable securities	7	**1,510,872**	1,354,174
Investment in an associate	8	**60,445**	60,445
Loan receivable from associate	9	**343,000**	343,000
Total non current assets		**2,114,619**	1,961,421
Current assets			
Investment in marketable securities	7	**1,097**	1,219
Loan receivable from associate	9	**51,347**	45,000
Inventories	10	**71,990**	56,019
Trade and other receivables	11	**135,458**	131,082
Due from related parties	12	**48,236**	71,405
Bank balances and cash	13	**108,858**	37,923
Total current assets		**416,986**	342,648
Current liabilities			
Due to related parties	12	**16,996**	2,138
Bank loan	14	**51,347**	45,000
Trade and other payables	15	**44,863**	53,676
Total current liabilities		**113,206**	100,814
Net current assets		**303,780**	241,834
Non current liabilities			
Provision for employees' end of service gratuities		**(24,809)**	(24,794)
Bank loan	14	**(343,000)**	(343,000)
Net assets		**2,050,590**	1,835,461
Equity			
Share capital	16	**358,800**	358,800
Share application money payable		**26**	26
Fair value reserve	17	**874,901**	693,711
General reserve	18	**316,517**	316,517
Statutory reserve	19	**179,402**	179,402
Foreign exchange reserve	8	**(38,154)**	(38,154)
Retained earnings		**359,098**	325,159
Total equity		**2,050,590**	1,835,461

These interim condensed financial statements were approved and authorised for issue by the Board of Directors on May 14, 2014 and were signed on their behalf by:

Director

Director

National Cement Company (Public Shareholding Co.), Dubai

Interim condensed statement of comprehensive income for the period ended March 31, 2014

	Note	Unaudited Three months period ended March 31, 2014 AED'000	Unaudited Three months period ended March 31, 2013 AED'000
Revenue		40,788	53,098
Cost of sales	21	(35,222)	(43,557)
Gross profit		5,566	9,541
Other income	22	3,778	3,203
		9,344	12,744
Administration, selling and general expenses	23	(6,251)	(7,762)
Finance cost		(1)	(16)
Profit before financial income and expense		**3,092**	4,966
Financial income/(expense) net	24	30,847	37,437
Net profit for the period		**33,939**	42,403
Net movement in fair value of available for sale investments		182,243	(10,319)
Total comprehensive income for the period		**216,182**	32,084
Basic and diluted earnings per share (AED)	25	0.09	0.12

National Cement Company (Public Shareholding Co.), Dubai

Interim condensed statement of changes in equity for the period ended March 31, 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	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 dereocgnition of investments to statement of comprehensive income	-	-	(2,163)	-	-	-	-	(2,163)
Total comprehensive income for the period	-	-	(10,319)	-	-	-	42,403	32,084
Dividend paid during the period	-	-	-	-	-	-	(71,760)	(71,760)
Directors' fee	-	-	-	-	-	-	(250)	(250)
Balance as at March 31, 2013 (Unaudited)	**358,800**	**26**	**414,132**	**316,517**	**179,402**	**(17,949)**	**267,834**	**1,518,762**
Balance as at January 1, 2014	**358,800**	**26**	**693,711**	**316,517**	**179,402**	**(38,154)**	**325,159**	**1,835,461**
Transfer on dereocgnition of investments to statement of comprehensive income	-	-	(1,053)	-	-	-	-	(1,053)
Total comprehensive income for the period	-	-	182,243	-	-	-	33,939	216,182
Balance as at March 31, 2014 (Unaudited)	**358,800**	**26**	**874,901**	**316,517**	**179,402**	**(38,154)**	**359,098**	**2,050,590**

National Cement Company (Public Shareholding Co.), Dubai

Interim condensed statement of cash flow for the period ended March 31, 2014

	Note	Unaudited Three months period ended March 31, 2014 AED'000	Unaudited Three months period ended March 31, 2013 AED'000
Cash flows from operating activities			
Net profit for the period		**33,939**	42,403
Adjustments for:			
Depreciation	5	**4,308**	3,955
Provision for employees' end of service gratuities		**231**	538
Financial income and expense (net)	24	**(30,847)**	(37,437)
Operating proft before working capital changes		**7,631**	9,459
Change in inventories	10	**(15,971)**	11,602
Change in trade and other receivables	11	**(4,376)**	(77)
Change in due from related parties	12	**23,169**	4,292
Change in trade and other payables	15	**(8,813)**	60,736
Change in due to related parties	12	**14,858**	(8,081)
Payment of end of service benefits		**(216)**	(348)
Net cash generated from operating activities		**16,282**	77,583
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(808)**	(3,143)
Investment in marketable securities	7	**(60,047)**	(117,111)
Proceeds from disposal of investment in marketable securities		**83,314**	99,198
Dividend income	24	**23,683**	22,545
Interest income	24	**8,511**	14,892
Net cash from investing activities		**54,653**	16,381
Cash flows from financing activities			
Dividend paid during the period	19	**-**	(71,760)
Directors' fee		**-**	(250)
Net cash used in financing activities		**-**	(72,010)
Net increase in cash and cash equivalents		**70,935**	21,954
Cash and cash equivalents at beginning of the period		**37,923**	30,304
Cash and cash equivalents at end of the period		**108,858**	52,258

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 three months period ended March 31, 2014 were authorized for issue by the Board of Directors on May 14, 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.

- ***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.

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

- ***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 amendment 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 derivative financial instruments, which are stated at fair values.

5. Property, plant and equipment

During the three month period ended March 31, 2014 additions to the property, plant and equipment amounted to approximately AED 0.8 million and no assets were disposed during the period. Depreciation charge for the period amounts to AED 4.3 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 March 31, 2014 AED'000	Audited December 31, 2013 AED'000
Non current investments	**1,510,872**	1,354,174
Current investments	**1,097**	1,219
	1,511,969	1,355,393

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

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

	Unaudited March 31, 2014 AED'000	Audited December 31, 2013 AED'000
Equity insturments	**1,061,005**	894,511
Other instruments	**450,964**	460,882
	1,511,969	1,355,393

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

	Unaudited March 31, 2014 AED'000	Audited December 31, 2013 AED'000
Opening balance	**1,355,393**	1,061,545
Additions	**60,047**	351,377
Disposals/redeemed	**(84,661)**	(324,626)
Reclassification adjustments on disposal of investments	**(1,053)**	(7,363)
Fair value changes	**182,243**	274,460
	1,511,969	1,355,393

7. Investment in marketable securities *(Continued)*

During the period, the Company has recognised a fair value gain of AED 182.24 million (2013: AED 274.46 million), recognised to other comprehensive income reclassified from equity to statement of comprehensive income, for investments not yet derecognised.

At March 31, 2014, investments include AED 53.09 million (December 31, 2013: AED 53.10million) 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 March 31, 2014, investments in marketable securities amounting to AED 373.77 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 617.73 million (December 31, 2013: AED 649 million) are pledged with the bank against the loan of AED 388 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 27 to the financial instruments.

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

	Unaudited March 31, 2014 AED'000	Audited December 31, 2013 AED'000
Equity instruments	**187,225**	187,225
Other instruments	**473,440**	498,053
	660,665	685,278

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

	Unaudited March 31, 2014 AED'000	Audited December 31, 2013 AED'000
Opening balance	**685,278**	658,528
Additions	**60,047**	351,377
Disposals	**(84,660)**	(324,627)
	660,665	685,278

7. Investment in marketable securities *(Continued)*

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

	Unaudited March 31, 2014 AED'000	Unaudited March 31, 2013 AED'000
Realised gain on disposal attributable to difference between selling price and carrying amount of investments	**(294)**	-
Reclassification adjustments on disposal of investments	**(1,053)**	(2,163)
	(1,347)	(2,163)

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

	Unaudited March 31, 2014 AED'000	Audited December 31, 2013 AED'000
United Arab Emirates	**1,071,013**	944,020
Saudi Arabia	**267,617**	261,208
Other countries	**173,339**	150,165
	1,511,969	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 management accounts as at December 31, 2013.

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. And 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.

10. Inventories

	Unaudited March 31, 2014 AED'000	**Audited December 31, 2013 AED'000**
Raw materials	**17,607**	22,882
Work in progress	**33,201**	11,408
Finished goods	**3,337**	4,383
Consumable and spare parts	**24,967**	24,468
Provision for obsolence	**(7,122)**	(7,122)
	71,990	56,019

11. Trade and other receivables

	Unaudited March 31, 2014 AED'000	**Audited December 31, 2013 AED'000**
Trade receivables	**56,151**	56,019
Allowance for doubtful debts	**(6,000)**	(6,000)
	50,151	50,019
Advances and other receivables	**8,917**	6,789
Advance towards investment	**73,868**	73,868
Prepayments and other receivables	**2,522**	406
	135,458	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 March 31, 2014 AED'000	Unaudited March 31, 2013 AED'000
With Other related parties:		
- Sale of cement	**9,420**	6,814
- Purchase of materials and services	**22,289**	7,659
With Key Management Personnel:		
- Salaries and other short term benefits	**750**	750
- End of service benefits charged	**41**	41
- End of service benefits at period end	**5,086**	4,792
- Directors' fee	**-**	250

Related party balances are as under:

	Unaudited March 31, 2014 AED'000	Audited December 31, 2013 AED'000
Payables:		
- To other related parties	**16,996**	2,138
Receivables:		
- From Associate - others	**15,073**	39,715
- From Associate - short term loan	**51,347**	45,000
- From Associate - long term loan	**343,000**	343,000
- From other related parties	**24,631**	25,685
- From Director	**8,532**	6,005

13. Bank balances and cash

	Unaudited March 31, 2014 AED'000	Audited December 31, 2013 AED'000
Cash at hand	**658**	550
Current accounts with banks	**108,200**	37,373
	108,858	37,923

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.

15. Trade and other payables

	Unaudited March 31, 2014 AED'000	Audited December 31, 2013 AED'000
Trade payables	**5,559**	9,338
Other accruals and payables	**14,363**	19,772
Advances	**597**	481
Directors' fees	**2,000**	2,000
Dividend payable	**22,344**	22,085
	44,863	53,676

16. Share capital

	Unaudited March 31, 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 March 31, 2014 AED'000	Audited December 31, 2013 AED'000
Opening balance	**693,711**	426,614
Net movement in changes in fair value	**182,243**	274,460
Reclassification adjustments on disposal of investments	**(1,053)**	(7,363)
	874,901	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 allocation has been made to the statutory reserve for the three months period ended March 31, 2014 as the reserve equaled 50% of the paid share capital.

20. 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. In 2012, a dividend of AED 71.76 million (AED 0.20 fils per share) was proposed and approved by the shareholders.

21. Cost of sales

	Unaudited Three months period ended March 31, 2014 AED'000	Unaudited Three months period ended March 31, 2013 AED'000
Material expenses	**9,996**	22,673
Utilities and other factory costs	**16,205**	10,362
Staff costs	**5,076**	6,887
Depreciation	**3,945**	3,635
	35,222	43,557

22. Other income

	Unaudited Three months period ended March 31, 2014 AED'000	Unaudited Three months period ended March 31, 2013 AED'000
Rental income from investment properties	**830**	667
Other rental income	**1,883**	1,698
Income from sale of by-product and scraps	**960**	617
Other income	**105**	221
	3,778	3,203

23. Administration, selling and general expenses

	Unaudited Three months period ended March 31, 2014 AED'000	Unaudited Three months period ended March 31, 2013 AED'000
Staff salaries and benefits	**3,169**	3,930
Staff accommodation	**429**	909
License fees	**193**	214
Insurance	**264**	461
Communications	**58**	30
Repair and maintenance	**969**	1,058
Travelling and conveyance expenses	**61**	46
Legal and professional	**106**	100
Electricity and water	**64**	108
Depreciation	**363**	320
Bank charges	**282**	402
Other	**293**	184
	6,251	7,762

24. Financial income

	Unaudited Three months period ended March 31, 2014 AED'000	Unaudited Three months period ended March 31, 2013 AED'000
Interest income:		
- investments in marketable securities	**8,511**	14,892
Dividend income	**23,683**	22,545
Financial income	**32,194**	37,437
Loss on disposal of available for sale investments:		
- transferred from equity	**(1,347)**	-
Financial expense	**(1,347)**	-
Financial income recognised in the statement of comprehensive income	**30,847**	37,437

25. Earnings per share

	Unaudited March 31, 2014 AED'000	Unaudited March 31, 2013 AED'000
Net profit attributable to shareholders	**33,939**	42,403
Weighted average number of shares	**358,800**	358,800
Earnings per share	**0.09**	0.12

26. 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 21.

27. 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.

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), 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 42,555 (March 31, 2013: AED 74,458)

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 106.10 million.
- The profit would be unaffected as equity investments are classified as available for sale.

27. 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 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.

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 March 31, 2014 AED'000	Audited December 31, 2013 AED'000
Financial assets		
Available for sale investments	**1,511,969**	1,355,393
Loans and receivables:		
- Trade and other receivables	**132,936**	130,676
- Due from related parties	**48,236**	71,405
- Loan to associate	**394,347**	388,000
Cash and bank balances	**108,858**	37,923
Financial liabilities		
Other financial liabilities		
- Trade and other payables	**44,863**	53,676
- Due to related parties	**16,996**	2,138
Bank loans	**394,347**	388,000

28. Contingent liabilities

	Unaudited March 31, 2014 AED'000	Audited December 31, 2013 AED'000
Letters of guarantee	**3,109**	3,109
Letters of credit	**490**	3,493

29. 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.

30. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in these interim condensed financial statements.

31. Subsequent events

The shareholders approved the proposed dividend of AED 89.7 million (AED 0.25 fils per share) in Annual General Meeting held on April 1, 2014. Further, the shareholders also approved to transfer AED 15.90 million to special reserve out of retained earnings of the Company.

Segment report as on March 31, 2014

	Three months period ended March 31, 2014 (Unaudited)			Three months period ended March 31,2013 (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	40,788	30,847	71,635	53,098	37,437	90,535
Segment result	5,566	30,847	36,413	9,541	37,437	46,978
Other income	-	-	3,778	-	-	3,203
Unallocated expenses	-	-	(6,252)	-	-	(7,778)
Net profit for the year	-	-	33,939	-	-	42,403
Segment assets	561,920	1,511,969	2,073,889	526,776	1,066,976	1,593,752
Investment in equity accounted investee	-	-	60,445	-	-	69,679
Other assets	-	-	397,271	-	-	415,924
Total assets	561,920	1,511,969	2,531,605	526,776	1,066,976	2,079,355
Segment liabilities	86,668	-	86,668	147,593	-	147,593
Other liabilities	-	-	394,347	-	-	413,000
Total liabilities	86,668	-	481,015	147,593	-	560,593
Capital expenditure	808	60,047	60,855	3,143	117,111	120,254
Depreciation	4,308	-	4,308	3,955	-	3,955