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INAA GROUP
AN INTERNATIONAL ASSOCIATION OF INDEPENDENT ACCOUNTING FIRMS

CNK-HAS
Chartered Accountants

NATIONAL CEMENT COMPANY
(PUBLIC SHAREHOLDING CO.)
DUBAI, UAE

Annual Report and Financial Statements
Period ended December 31, 2015

سي ان كيه حسين الصايغ شارترد اكاونتنتس

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National Cement Company (Public Shareholding Co.)
Dubai, United Arab Emirates

Audit report and financial statements for the year ended December 31, 2015

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BOARD OF DIRECTORS REPORT FOR THE YEAR ENDED ON 31.12.2015

Dear Shareholders,
"Assalam Alaikum",

On behalf of the Board of Directors of National Cement Company (PSC), Dubai, and myself 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 2015.

First : Production

The production of all type of cement for the year 2015 was 1,437,840 metric tons based on the market demand while the corresponding sales value was AED.261, 541,000.

Second : Project

1- We have received all the equipment related to the Heat Recovery project and power generation and are in the process of obtaining the final approvals from the local authorities so as to begin with the implementation of the project which is expected to be completed during first half of calendar year 2017. The estimated cost of this project is AED. 65,000,000 and the annual savings from the project will be around AED.18,000,000.-/

2- In order to raise the operational efficiency the company is in the process of using alternate fuels, the equipments for this project would be received by the end of April 2016. The implementation of the said project has been awarded to the local contractor and the project cost is estimated to be AED.1,800,000/- Under this project we would attain sustainable continuity with least environmental impact.

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

3 – The company is performing research and development on using of liquid waste from local manufacturers / companies and several local authorities and the project is estimated to cost AED.1,500,000/-

Third : Profit

The profit for the year ended 31st December 2015 amounts to AED 93,530,000 After discussion on the financial statements the Board of Directors have recommended paying dividend and appropriation of profit for the year 2015 as under:

1 - A cash 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 Directors fees have been fixed at AED. 250,000/- for each sitting Director.
5 – The company has accounted its share of profit of associate of AED.22,229,000 during the year 2014 and 2015 based on equity method of accounting. The directors have recommended transferring to special reserve an amount of AED. 22,229,000 being the profit from associate accounted till current year so as to take care of contingencies arising until the profits from associate have been distributed and received by the company.

Fourth : Balance Sheet

The company has completed its annual accounts and prepared the financial statements for the year ended 31.12.2015 and handed it over to the auditors CNK HUSSAIN ALSAYEGH Chartered Accountants to audit and provide their report and opinion on the financial statement.

The Board of Directors on the occasion of closing of accounts of the company would finally like to thank all concerned who have contributed their efforts in development of the company and express good wishes to the management and employees in their future endeavors.

"Assalam Alaikum"

Chairman

Mr. ABDULLA AHMED AL- GHURAIR

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Independent Auditor's 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.) ("the Company") , which comprise the statement of financial position as at December 31, 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year 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. The 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Report on other legal and regulatory requirements

We have obtained all the information and explanations, which were necessary for the purpose of our audit and no violation of the UAE Commercial 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.

For and on behalf of
CNK Hussain Alsayegh
Chartered Accountants

Hussain Nasser Hassan Alsayegh
Registration No.: 738
Date: March 10, 2016
Place: Dubai, UAE

P.O. Box: 454442
DUBAI - U.A.E.

National Cement Company (Public Shareholding Co.)
Dubai, United Arab Emirates

Statement of financial position at December 31, 2015

	Note	2015 AED'000	2014 AED'000
NON CURRENT ASSETS			
Property, plant and equipment	5	182,701	188,961
Investment properties	6	2,924	2,924
Available for sale investments	7	1,267,958	1,535,059
Investment in an associate	8	77,528	82,582
Loan receivable from associate	9	260,898	289,000
TOTAL NON CURRENT ASSETS		**1,792,009**	**2,098,526**
CURRENT ASSETS			
Available for sale investments	7	640	713
Loan receivable from associate	9	55,102	54,000
Inventories	10	54,073	58,819
Trade and other receivables	11	133,636	73,495
Due from related parties	12	55,684	31,777
Bank balances and cash	13	25,481	73,995
TOTAL CURRENT ASSETS		**324,616**	**292,799**
CURRENT LIABILITIES			
Due to related parties	12	35,686	31,100
Bank loan / Overdraft	14	61,188	54,000
Trade and other payables	15	25,904	32,907
TOTAL CURRENT LIABILITIES		**122,778**	**118,007**
NET CURRENT ASSETS		**201,838**	**174,792**
NON CURRENT LIABILITIES			
Provision for employees' end of service gratuities	16	22,828	25,580
Bank loan	14	284,696	289,000
Total Non Current Liabilities		307,524	314,580
NET ASSETS		**1,686,323**	**1,958,738**
EQUITY			
Share capital	17	358,800	358,800
Share application money		26	26
Fair value reserve	18	536,739	806,566
General reserve	19	316,517	316,517
Statutory reserve	20	179,402	179,402
Foreign exchange reserve	8	(53,185)	(48,517)
Special reserve	21	15,900	15,900
Retained earnings		332,124	330,044
TOTAL EQUITY		**1,686,323**	**1,958,738**

These financial statements were approved and authorized for issue by the Board of Directors on March 10, 2016 and were signed on their behalf by:

Director | **Director**

The notes on pages 9 to 38 form part of these financial statements

National Cement Company (Public Shareholding Co.)
Dubai, United Arab Emirates

Statement of comprehensive income for the year ended December 31, 2015

	Note	2015 AED'000	2014 AED'000
Revenue		261,541	228,284
Cost of sales	23	(221,741)	(205,054)
Gross profit		**39,800**	**23,230**
Other income	24	45,611	38,713
		85,411	**61,943**
Administration, selling and general expenses	25	(32,628)	(29,539)
Finance cost	26	(28,761)	(21,914)
Share of net profit in associate	8	643	21,586
Profit before financial income and expense		**24,665**	**32,076**
Financial income/(expense) net	27	68,865	80,159
Net profit for the period		**93,530**	**112,235**
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Net movement in fair value of available for sale investments	7	(250,835)	122,832
Change in foreign exchange reserve	8	(4,668)	(10,363)
Loss on derecognition of available for sale investments	27	(18,992)	(9,977)
Other comprehensive income for the year		**(274,495)**	**102,492**
Total comprehensive income for the year		**(180,965)**	**214,727**
Basic and diluted earnings per share (AED)	28	0.26	0.31

The notes on pages 9 to 38 form part of these financial statements

National Cement Company (Public Shareholding Co.)
Dubai, United Arab Emirates

Statement of changes in equity for the year ended December 31, 2015

	Share capital AED'000	Share application money payable AED'000	Fair value reserve AED'000	General reserve AED'000	Statutory reserve AED'000	Foreign exchange translation reserve AED'000	Special Reserve AED'000	Retained earnings AED'000	Total equity AED'000
Balance as at January 1, 2014	358,800	26	693,711	316,517	179,402	(38,154)	-	325,159	1,835,461
Transfer on derecognition of available for sale investments to statement of comprehensive income	-	-	(9,977)	-	-	-	-	-	(9,977)
Total comprehensive income for the year	-	-	122,832	-	-	(10,363)	-	112,235	224,704
Transfer to special reserve (Note 21)	-	-	-	-	-	-	15,900	(15,900)	-
Dividend (Note 22)	-	-	-	-	-	-	-	(89,700)	(89,700)
Directors' fee (Note 32)	-	-	-	-	-	-	-	(1,750)	(1,750)
Balance as at December 31, 2014	358,800	26	806,566	316,517	179,402	(48,517)	15,900	330,044	1,958,738
Balance as at January 1, 2015	358,800	26	806,566	316,517	179,402	(48,517)	15,900	330,044	1,958,738
Transfer on derecognition of available for sale investments to statement of comprehensive income	-	-	(18,992)	-	-	-	-	-	(18,992)
Total comprehensive income for the period	-	-	(250,835)	-	-	(4,668)	-	93,530	(161,973)
Dividend (Note 22)	-	-	-	-	-	-	-	(89,700)	(89,700)
Directors' fee (Note 32)	-	-	-	-	-	-	-	(1,750)	(1,750)
Balance as at December 31, 2015	358,800	26	536,739	316,517	179,402	(53,185)	15,900	332,124	1,686,323

The notes on pages 9 to 38 form part of these financial statements

National Cement Company (Public Shareholding Co.)
Dubai, United Arab Emirates

Statement of cash flow for the year ended December 31, 2015

	Note	2015 AED'000	2014 AED'000
Cash flows from operating activities			
Net profit for the period		93,530	112,235
Adjustments for:			
Depreciation	5	17,290	17,964
Gain on disposal of property, plant & equipment		(3,078)	(243)
Realized gain on disposal of available for sale investments	27	(1,430)	(14,219)
Loss on disposal of available for sale investments	27	7,099	5,555
Share of profit in an associate	8	(643)	(21,586)
Provision for employees' end of service gratuities	16	1,859	1,365
Interest expense	26	28,761	21,909
Interest income	24	(22,505)	(21,909)
Interest income from available for sale investments	27	(34,677)	(29,320)
Dividend income	27	(39,857)	(42,175)
Operating profit before working capital changes		46,349	29,576
Change in inventories	10	4,746	(2,800)
Change in trade and other receivables	11	(60,141)	(16,281)
Change in due from related parties	12	(23,907)	26,772
Change in trade and other payables	15	(7,003)	5,258
Change in due to related parties	12	4,586	2,549
Payment of end of service benefits	16	(4,611)	(579)
Net cash generated from operating activities		(39,981)	44,495
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(11,078)	(6,047)
Investment in available for sale investments	7	(292,875)	(228,742)
Proceeds from investment in associate	8	1,029	-
Repayment of loan from associate		27,000	45,000
Proceeds from disposal of property, plant and equipment		3,126	243
Proceeds from disposal of available for sale investments		284,553	243,766
Interest received	24	22,505	21,909
Interest income from available for sale investments	27	34,677	29,320
Dividend income	27	39,857	42,175
Net cash from investing activities		108,794	147,624
Cash flows from financing activities			
Dividend paid	22	(89,700)	(87,388)
Interest paid	27	(28,761)	(21,909)
Repayment of bank loans		(343,000)	(45,000)
Proceeds of bank loan	14	345,884	-
Directors' fees	32	(1,750)	(1,750)
Net cash used in financing activities		(117,327)	(156,047)
Net increase / (decrease) in cash and cash equivalents		(48,514)	36,072
Cash and cash equivalents at beginning of the period	13	73,995	37,923
Cash and cash equivalents at end of the period		25,481	73,995

The notes on pages 9 to 38 form part of these financial statements

1 Status and activities

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

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

The financial statements for the year ended December 31, 2015 were authorized for issue by the Board of Directors on March 10, 2016.

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

2 Application of new and revised International Financial Reporting Standards (' IFRSs')

The following new and revised IFRSs issued but not yet effective. The application of these new and revised IFRSs does not have any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

IFRS 15 'Revenue from Contracts with Customers' (Effective for annual periods beginning on or after January 1, 2018):

IFRS 15 provides a single, principles based on five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:
- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts:
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company has assessed and determined that these amendments will not impact the Company's financial position or performance for the current year and becomes effective for annual periods beginning on or after January 1, 2018.

2 Application of new and revised International Financial Reporting Standards (continued)

IFRS 9 Financial Instruments and associated amendments to various other standards (Effective for annual periods beginning on or after January 1, 2018)

IFRS 9 replaces the multiple classification and measurement models in *IAS 39 Financial Instruments: Recognition and* measurement with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if : a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option company will need to recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

In December 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. The changes introduce:
a) a third measurement category (FVOCI) for certain financial assets that are debt instruments
b) a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component. On initial recognition, company will record a day-1 loss equal to the 12 month ECL, unless the assets are considered credit impaired.

The application of IFRS 9 may have impact on the classification, measurement and presentation of the Company's financial assets and liabilities and becomes effective for annual periods beginning on or after January 1, 2018.

IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortization (amendments to IAS 16 and IAS 38)' (Effective for annual periods beginning on or after January 1, 2016):

This amends IAS 16 Property, plant and equipment and IAS 38 Intangible Assets to:
- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment;
- introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated;
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic embodied in the asset.

These amendments will not impact the Company's financial position or performance for the current year and becomes effective for annual periods beginning on or after January 1, 2016.

2 Application of new and revised International Financial Reporting Standards (continued)

IAS 27 Separate Financial Statements' (Effective for annual periods beginning on or after January 1, 2016):

The amendment allow Company to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.

These amendments will not impact the Company's financial position or performance for the current year and becomes effective for annual periods beginning on or after January 1, 2016.

IFRS 11 Joint Arrangements' (Effective for annual periods beginning on or after January 1, 2016):

The amendments clarifies that the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitute a business.
This include:
- measuring identifiable assets and liabilities at fair value
- expensing acquisition-related costs
- recognising deferred tax, and
- recognising the residual as goodwill, and testing this for impairment annually.

Existing interest in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained.
The amendment also apply when a joint operation is formed and an existing business is contributed.
These amendments will not impact the Company's financial position or performance for the current year and becomes effective for annual periods beginning on or after January 1, 2016.

IAS 1 Presentation of Financial Statements' (Effective for annual periods beginning on or after January 1, 2016):

The amendments to IAS 1 Presentation of Financial Statements provide clarifications on the following issues :
- Materiality:- An company should not disaggregate information in a manner that obscures useful information. where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotal:- line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the company's financial position or performance.
- Notes:- confirmations that the notes do not need to be presented in a particular order.
- OCI:- OCI arising from investments accounted for under the equity method - the share of OCI arising from equity accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

These amendments will not impact the Company's financial position or performance for the current year and becomes effective for annual periods beginning on or after January 1, 2016.

Annual improvements to IFRSs 2012-2014 Cycle (Effective for annual periods beginning on or after July 1, 2016):

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
This improvement clarifies that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. The annual improvement is not likely to impact the Company's financial position or performance on adoption.

2 Application of new and revised International Financial Reporting Standards (continued)

IFRS 7 Financial Instruments: Disclosures

This improvement provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements. The annual improvement is not likely to impact the Company's financial position or performance on adoption.

This improvement provides additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. The annual improvement is not likely to impact the Company's financial position or performance on adoption.

IAS 19 Employee Benefits

This improvement clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The annual improvement is not likely to impact the Company's financial position or performance on adoption.

IAS 34 Interim Financial reporting

This improvement clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference. The annual improvement is not likely to impact the Company's financial position or performance on adoption.

3 Significant accounting policies

These financial statements are prepared under the historical cost convention except for financial instruments classified under available for sale which are stated at fair value and are in accordance with International Financial Reporting Standards. These financial statements are 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, less accumulated depreciation and accumulated impairment losses. All costs related to specific assets incurring during the year are carried under this. These are transferred to specific assets when 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, Fixtures and equipments	4-7 years
Motor Vehicles	3 years

3 Significant accounting policies (continued)

Investments properties

Investment properties are initially accounted for by using the cost model under *IAS 40 Investment Property* and subsequent measurements are done in accordance with the requirements of *IAS 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 lines basis so as to write off the cost of buildings over their estimated useful life of 10 years.

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 associate. Associates are initially recognized 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 recognized 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).

Unrealized gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealized 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 fait value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized 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 recognized 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 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).

3 Significant accounting policies (continued)

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 capitalized 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-financials assets.

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

Impairment of non-financial assets (excluding inventories)

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 assets 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 carries 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.

Inventories

Inventories are stated at lower of cost and net realizable 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 materials and attributable production labour and overheads. Cost of consumables and spare parts are valued based on the weighted average cost basis. Net realizable value is based on the normal selling price, less cost expected to be incurred on disposal.

Financial assets

All financial assets are recognized and derecognized 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 specific 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.

• 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 receivable 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.

3 Significant accounting policies (continued)

Loans and receivables

The Company's 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 amortized cost using the effective interest method, less nay impairment. Interest income is recognized by applying the effective interest rate.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Financials Assets (continued)

For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Company elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such negotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognized in the statement of comprehensive income (operating profit).

Available for sale

The Company's available for sale financial assets are listed shares, listed redeemable notes and other instruments 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 and other instruments that are not traded in an active market but are also classified as available for sale financial assets and stated at fair value. Gains and losses arising from changes in fair value are recognized 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.

Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in profit or loss.

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 instruments 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 recognized 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.

3 Significant accounting policies (continued)

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 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.

Financial liabilities

Financial liabilities are classified as either by 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 recognized on an effective yield basis.

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.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

Dividends

Dividends are recognized 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 recognized when approved by the shareholders at the AGM.

3 Significant accounting policies (continued)

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.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary share. 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.

Revenue Recognition

Revenue from the sales of goods is recognized 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 recognized 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 recognized when the shareholder's right to receive payment has been established.

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 purpose 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 judgements 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 judgements, 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.

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

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).

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

Estimated useful life of property, plant and equipment
Property, plant and equipment is depreciated over its estimated useful life, which is based on estimated 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 judgement 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 or property, plant and equipment.

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 judgement. In making this judgement, the Company evaluates factors such as change in market rate of the equity and other 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 realizable value. Adjustments have been made to reduce the cost of inventory to its realizable 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 judgements and key sources of estimation uncertainty (continued)

Impairment losses on trade receivable

The Company reviews its receivables to assess impairment if there is an indication of impairment. 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 judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated futures 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.

Investment in United Cement Group, Syria

The Company has an investment of AED 73.87 million in United Cement Group, Syria. This investment has been routed through Al Shams Investment LLC wherein the Company holds 27% of shareholding. Al Shams Investment LLC is not considered as an associate since there is no direct or indirect involvement at board level and the Company also does not have the power to participate in operating and financial policies and the same has not been accounted as per the equity method. The Company doesn't have any significant influence or joint control over the operations of United Cement Group. Accordingly, this investment has been treated as available for sale investments.

5 Property, plant and equipment

Movements in property, plant and equipment are given on page 36

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 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.

Movement in investment properties is as follows:

	Land AED'000	Villas AED'000	Total AED'000
Cost			
At January 1, 2014	2,924	16,575	19,499
At December 31, 2014	2,924	16,575	19,499
At December 31, 2015	2,924	16,575	19,499
Depreciation			
At January 1, 2014	-	16,575	16,575
At December 31, 2014	-	16,575	16,575
At December 31, 2015	-	16,575	16,575
Net book value			
At December 31, 2015	**2,924**	**-**	**2,924**
At December 31, 2014	2,924	-	2,924

The fair market value of investment properties, including land, is estimated to be in the range of AED 105 million as per the internal valuation carried out by the management in April 2014. 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:

	2015 AED'000	2014 AED'000
Rental Income	3,771	4,015
Direct operating expenses	327	769

At December 31, 2015 there were no restrictions on the realisability of investment property or the remittance of income and proceed of disposal.

There are currently no obligations to construct or develop the existing investment properties. At December 31, 2015 there were no contractual obligations to purchase investment property (2014 : AED Nil).

7 Available for sale investments

	2015 AED'000	2014 AED'000
Non current investments	1,267,958	1,535,059
Current investments	640	713
	1,268,598	1,535,772

Non-current investments represents available for sale investments in securities (debt, equity and other 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 available for investments at fair value is stated below:

	2015 AED'000	2014 AED'000
Equity instruments	781,039	1,021,878
Other instruments	487,559	513,894
	1,268,598	1,535,772

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

	2015 AED'000	2014 AED'000
Opening balance	1,535,772	1,429,261
Additions	292,875	228,742
Disposals/redeemed	(290,222)	(235,086)
Reclassification adjustments on disposal of investments	(18,992)	(9,977)
Fair value changes	(250,835)	122,832
	1,268,598	1,535,772

During the year, the Company has recognized a fair value loss of AED 250.84 million (2014 fair value gain of AED 122.83 million) to other comprehensive income.

At the date of statement of financial position, investments amounting to AED 103.15 million (2014: AED 106.93 million) which are stated at cost. In the opinion of the management, the fair value of these investments is not materially different from their carrying amounts.

At the date of statement of financial position, available for sale investments at fair value amounting to AED 271.19 million (2014: AED 299.36 million) are held in the personal name of one of the Company's Director for the beneficial interest of the Company.

7 Available for sale investments (continued)

Investments amounting to AED 354.41 million (2014: AED 575 million) are pledged with the bank against the loan of AED 339.80 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 30 to the financial instruments.

Break-up of available for investments at cost is stated below:

	2015 AED'000	2014 AED'000
Equity instruments	189,735	187,225
Other instruments *	542,108	541,965
	731,843	729,190

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

	2015 AED'000	2014 AED'000
Opening balance *	729,190	735,535
Additions	292,875	228,742
Disposals	(290,222)	(235,087)
	731,843	729,190

* Previous period figure has been reclassified to the extent of AED 23.61 million to give the effect of wrong classification in the earlier period

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

	2015 AED'000	2014 AED'000
United Arab Emirates	891,354	1,105,113
Saudi Arabia	126,442	202,939
Other countries	250,802	227,720
	1,268,598	1,535,772

8 Investment in an associate

Investment in an associate company represents 25.43% (2014: 25.43%) 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, 2015 based on the management accounts as at December 31, 2015.

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

	2015 AED'000	2014 AED'000
Beginning balance	82,582	71,359
Reclassification*	(1,029)	-
Foreign exchange translation reserve	(4,668)	(10,363)
Share of profit in associate	643	21,586
	77,528	82,582

* Figures for current period is reclassified to give effect of wrong classification in previous years.

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

	2015 AED'000	2014 AED'000
Share of net assets of associate (25.43%)		
Current assets	34,179	29,289
Non Current assets	161,168	177,975
Current liabilities	(64,907)	(34,713)
Non Current liabilities	(52,912)	(89,969)
Net Assets	77,528	82,582

	2015 AED'000	2014 AED'000
Share of associate's revenue and profit (25.43%)		
Revenue	53,180	68,684
Net profit	643	21,586

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 = 0.64 AED on December 31, 2014 and 1 SDG = 0.60 AED on December 31, 2015. 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 ten installments over a period of five years beginning from December 2015. The interest rate on this loan is charged at the rate of 5.85% per annum.

10 Inventories

	2015 AED'000	2014 AED'000
Raw materials	8,274	16,048
Work in progress	21,511	22,829
Finished goods	2,622	2,470
Consumable and spare parts	21,666	17,472
	54,073	58,819

Inventories are stated net of allowance for slow moving and obsolete items. The cost of inventories recognized during the year is AED 125.99 million (2014: AED 110.43 million). Consumables and spare parts amounting to AED 7.12 million have been written off during the year.

11 Trade and other receivables

	2015 AED'000	2014 AED'000
Trade receivables	96,183	66,789
Allowance for doubtful debts*	(3,600)	(3,600)
	92,583	63,189
Advances and other receivables	40,241	10,010
Prepayments and other receivables	812	296
	133,636	73,495

Movement in allowance for doubtful debts is as under:

	2015 AED'000	2014 AED'000
Beginning balance	3,600	6,000
Reversal from allowance	-	(2,400)
	3,600	3,600

*The company does not deem necessary to provide provision for doubtful debts for the current year as all the Trade Receivables and Debtors are secured under bank guarantees which act as a collateral security for the amount receivables from those customers and post dated cheques 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 56.50 million (2014: AED 42.81 million) and total value of collateral security is determined at AED 64.77 million (2014: AED 53.11 million).

11 Trade and other receivables (continued)

There are 4 customers (2014: 4 customers) who represents 51% (2014: 62%) of the total balance of trade receivables. AED 40.63 million (2014: AED 27.82 million) of the trade receivables is neither past due nor impaired. The company has provided for AED 3.6 million for receivables amounting to AED 55.55 million which are past due at the reporting date based on its past experience.

Ageing of trade receivables is as under:

	2015 AED'000	2014 AED'000
Amount not past due and not impaired	40,635	27,815
Amount past due but not impaired:		
0-30 days	25,649	13,473
31-60 days	6,809	10,681
61-90 days	7,813	5,510
91-120 days	4,743	3,108
Above 121 days	6,934	2,602
	51,948	35,374
Amount past due and impaired:		
Above 121 days	3,600	3,600
Total amount past due	55,548	38,974

The Company's exposure to credit risk and impairment losses related to loans and receivables is disclosed in Note 30 on financial instruments.

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 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.

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

	2015 AED'000	2014 AED'000
With Associate		
- Interest Income	22,505	21,909
- Loan repaid	27,000	45,000
- Share in profit	643	21,586
With Other related parties:		
- Sales	42,284	86,897
- Purchase of materials and services	54,968	79,391
- Dividend	89,700	89,700
With Key Management Personnel:		
Salaries and other short term benefits	3,221	3,168
End of service benefits charged	175	171
End of service benefits at year end	5,447	5,214
Directors' fee	2,000	1,750

Related party balances are as under:

	2015 AED'000	2014 AED'000
Payables:		
To other related parties	33,686	29,100
To Director	2,000	2,000
Receivables:		
From Associate - others	31,369	11,684
From Associate - short term loan	55,102	54,000
From Associate - long term loan	260,898	289,000
From other related parties	24,277	14,108
From Director	38	5,985

13 Bank balances and cash

	2015 AED'000	2014 AED'000
Cash at hand	1,340	783
Current accounts with banks	24,141	73,212
	25,481	73,995

14 Bank Loan

This represents loan from the bank with interest rate of 6 months LIBOR +3.25% total amounting to AED 367.35 million. This loan is obtained by the company to finance its associate. The loan is repayable in ten installments over a period of five years. Please refer note 7 for details of investments pledged against this loan and note 9 for amount repayable by the 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

	2015 AED'000	2014 AED'000
Trade payables	7,929	13,433
Other accruals and payables	17,740	19,239
Advances	235	235
	25,904	32,907

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 service gratuities

	2015 AED'000	2014 AED'000
Opening balance	25,580	24,794
Provision created for the year	1,859	1,365
Payments made during the year	(4,611)	(579)
Closing balance	22,828	25,580

17 Share capital

	2015 AED'000	2014 AED'000
Issued and fully paid up:		
358,800,000 shares of AED 1 each	358,800	358,800
	358,800	358,800
Issued for cash		
92,000,000 shares of AED 1 each	92,000	92,000
Bonus shares issued by capitalizing retained earnings		
266,800,000 shares of AED 1 each	266,800	266,800
	358,800	358,800

At the date 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 available for sale investments. Movement in fair value reserve is as follows:

	2015 AED'000	2014 AED'000
Opening balance	806,566	693,711
Net movement in changes in fair value	(250,835)	122,832
Reclassification adjustments on disposal of investments	(18,992)	(9,977)
	536,739	806,566

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, 2015 as the reserve equaled 50% of the paid share capital.

21 Special Reserve

Special reserve has been created on the recommendation of the board and on approval by the shareholders in the annual general meeting to take care of any contingencies. Any movement towards transfer, utilization and discontinuation will be subject to approval of the shareholders in the annual general meeting . Accordingly AED 15.9 million was transferred to this reserve during the year 2014 representing the accumulated profit from the associate accounted till December 31, 2013

22 Dividend

For 2015, a cash dividend of AED 89.7 million (AED 0.25 fils per share) has been proposed and approved by the shareholders of the Company in the Annual General Meeting held on April 16, 2016. In 2014, a dividend of AED 89.7 million (AED 0.25 fils per share) was proposed and approved by the shareholders.

23 Cost of sales

	2015 AED'000	2014 AED'000
Material expenses	125,990	110,429
Utilities and other factory costs	58,161	55,967
Staff costs	21,798	22,816
Depreciation	15,792	15,842
	221,741	205,054

24 Other income

	2015 AED'000	2014 AED'000
Interest Income	22,505	21,909
Rental income from investment properties	3,771	4,015
Other rental income	8,456	6,043
Income from sale of by-product and scraps	2,796	3,176
Gain on disposal of Property, plant and equipment	3,078	243
Provision no longer required	-	2,400
Other income	5,005	927
	45,611	38,713

25 Administration, selling and general expenses

	2015 AED'000	2014 AED'000
Staff salaries and benefits	14,691	14,733
Staff accommodation	2,172	2,524
License fees	193	193
Insurance	517	654
Communications	174	171
Repair and maintenance	5,395	6,294
Travelling and conveyance expenses	37	152
Legal and professional	2,469	300
Electricity and water	584	303
Depreciation	1,498	2,122
Bank Charges	687	480
Other	4,211	1,613
	32,628	29,539

26 Finance Costs

	2015 AED'000	2014 AED'000
Interest on bank loan	28,730	21,909
Interest on bank overdraft	31	5
	28,761	21,914

The above includes AED 15.27 million interest paid on bank loan obtained to finance an associate and such interest has been recovered in full from associate.

27 Financial income

	2015 AED'000	2014 AED'000
Interest income from available for sale investments	34,677	29,320
Realized gain on disposal of available for sale investments	1,430	14,219
Dividend income	39,857	42,175
Financial income	75,964	85,714
Loss on disposal of available for sale investments	(7,099)	(5,555)
Financial expense	(7,099)	(5,555)
Financial Income recognized in the statement of comprehensive income	68,865	80,159

There was a reclassification adjustment on disposal of available for sale investments amounting to AED 18.99 million (2014: AED 9.98 million).

28 Earnings per share

	2,015	2,014
Net profit attributable to shareholders (AED'000)	93,530	112,235
Weighted average number of shares	358,800,000	358,800,000
Earnings AED per share	0.26	0.31

29 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 82% (2014: 74%) of its revenue.

- Available for sale investments 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 18% (2014: 26%) 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 unallocated to specific segment and are related to corporate purposes. Loans an 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 37 and 38

30 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.

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

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

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

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

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.

If the foreign exchange rates on investment in associate 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 0.387 million (2014: 0.413 million).

Interest rate risk management

The Company is exposed to interest rate risk on cash at bank (including time deposits), 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 0.173 million (2014: AED 0.147 million)

The Company is exposed to any significant interest rate risk as the bank loans are obtained to finance its associate and the interest cost incurred is recovered from its associate.

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.

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

1) Available for sale investment valuation reserve would increase/decrease by AED 78.10 million (2014, AED 102.19 million).

2) The profit would be unaffected as equity investments are classified as available for sale.

30 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 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 67% 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 represents 51% 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. There swap contracts are not designated as hedges and accordingly are treated as free standing derivative contracts. At December 31, 2015 the Company has no outstanding interest rate swap contracts.

Financial instruments by category

	2015 AED'000	**2014 AED'000**
Financial assets		
Available for sale investments	1,268,598	1,535,772
Loans and receivables:-		
Trade and other receivables	132,824	73,199
Due from related parties	55,684	31,777
Loan receivable from associate	316,000	343,000
Cash and bank balances	25,481	73,995
Financial liabilities		
Other financial liabilities:-		
Trade and other payables	25,904	32,907
Due to related parties	35,686	31,100
Bank loans / Overdraft	345,884	343,000

30 Financial instruments (continued)

The following table sets out the Company's assets and liabilities that are measured and recognized at fair value at December 31, 2015:

At December 31, 2015	Level 1	Level 2	Level 3	Total
Financial Assets:				
Available for sale investments	1,182,240	-	86,358	1,268,598
Trade and other receivables	-	-	132,824	132,824
Due from related parties	-	-	55,684	55,684
Loan receivables from associate	-	316,000	-	316,000
Cash and bank balances	25,481	-	-	25,481
Total financial assets	1,207,721	316,000	274,866	1,798,587
Financial Liabilities:				
Trade and other payables	-	-	25,904	25,904
Due to related parties	-	-	35,686	35,686
Bank loan / Overdraft	-	345,884	-	345,884
Total financial liabilities	-	345,884	61,590	407,474

The following table sets out the Company's assets and liabilities that are measured and recognized at fair value at December 31, 2014:

At December 31, 2014	Level 1	Level 2	Level 3	Total
Financial Assets:				
Available for sale investments	1,428,848	-	106,924	1,535,772
Trade and other receivables	-	-	73,199	73,199
Due from related parties	-	-	31,777	31,777
Loan receivables from associate	-	343,000	-	343,000
Cash and bank balances	73,995	-	-	73,995
Total financial assets	1,502,843	343,000	211,900	2,057,743
Financial Liabilities:				
Trade and other payables	-	-	32,907	32,907
Due to related parties	-	-	31,100	31,100
Bank loan	-	343,000	-	343,000
Total financial liabilities	-	343,000	64,007	407,007

31 Contingent liabilities

	2015 AED'000	2014 AED'000
Letters of guarantee	3,009	3,109
Letters of credit	2,412	640

32 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.

33 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.

34 Comparative figures

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

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, 2014	30,570	916,599	15,613	54,846	443	1,018,071
Additions	-	553	270	3,786	1,438	6,047
Disposals	-	-	-	(1,531)	-	(1,531)
Transfer from CWIP	-	1,760	-	-	(1,760)	-
At December 31, 2014	**30,570**	**918,912**	**15,883**	**57,101**	**121**	**1,022,587**
Additions	-	-	339	1,596	9,143	11,078
Disposals	-	-	-	(3,318)	-	(3,318)
Transfer from CWIP	-	-	-	-	-	-
At December 31, 2015	**30,570**	**918,912**	**16,222**	**55,379**	**9,264**	**1,030,347**
Depreciation						
At January 1, 2014	28,917	724,987	12,990	50,299	-	817,193
Charge for the year	230	13,088	2,030	2,616	-	17,964
On disposals	-	-	-	(1,531)	-	(1,531)
At December 31, 2014	**29,147**	**738,075**	**15,020**	**51,384**	-	**833,626**
Charge for the year	230	13,456	560	3,044	-	17,290
On disposals	-	-	-	(3,270)	-	(3,270)
At December 31, 2015	**29,377**	**751,531**	**15,580**	**51,158**	-	**847,646**
Net book value						
At December 31, 2015	**1,193**	**167,381**	**642**	**4,221**	**9,264**	**182,701**
At December 31, 2014	**1,423**	**180,837**	**863**	**5,717**	**121**	**188,961**

Depreciation for the year is allowed as under:

	2015	2014
	AED'000	AED'000
Cost of sales	15,792	15,842
Expenses	1,498	2,122
	17,290	**17,964**

Notes to the financial statements for the year ended December 31, 2015 (Continued)

Segment report for the year ended December 31, 2015

	2015			2014		
	Cement AED'000	Available for sale investments and derivative products AED'000	Total AED'000	Cement AED'000	Available for sale investments and derivative products AED'000	Total AED'000
Segment revenue						
Total revenue	261,541	68,865	330,406	228,284	80,159	308,443
Total revenue from external customers	261,541	68,865	330,406	228,284	80,159	308,443
Finance income	-	(68,865)	(68,865)	-	(80,159)	(80,159)
Revenue as per statement of comprehensive income	261,541	-	261,541	228,284	-	228,284
Cost of sales	(221,741)	-	(221,741)	(205,054)	-	(205,054)
Segment profit	39,800	68,865	108,665	23,230	80,159	103,389
Other income			45,611			38,713
Unallocated expenses			(61,389)			(51,453)
Share of net profit in associate			643			21,586
Net profit			93,530			112,235
Depreciation	17,290	-	17,290	17,964	-	17,964

Segment report for the year ended December 31, 2015

	2015			2014		
	Cement AED'000	Available for sale investments and derivative products AED'000	Total AED'000	Cement AED'000	Available for sale investments and derivative products AED'000	Total AED'000
Addition to non current assets	11,078	292,875	303,953	6,047	228,742	234,789
Reportable segment assets	451,575	1,268,598	1,720,173	427,047	1,535,772	1,962,819
Investment properties			2,924			2,924
Investment in an associate			77,528			82,582
Loan receivable from associate			316,000			343,000
Total Assets			2,116,625			2,391,325
Reportable segment liabilities	84,418	-	84,418	89,587	-	89,587
Bank loan			345,884			343,000
Total Liabilities			430,302			432,587