7. Investment in marketable securities (*Continued*)

During the year, the Company has recognised a fair value gain of AED 83.23 million (2010: AED 32.99 million), reclassified from equity to statement of comprehensive income, for investments not yet derecognised.

At the date of statement of financial position, investments amounting to AED 46.24 million (2010: AED 20 million) classified under non-current investments are stated at cost. In the opinion of the management, the fair value of these investments is not significantly different from their carrying amounts.

At the date of statement of financial position, Investments in marketable securities amounting to AED 324.21 million (2010: AED 318 million) are held in the personal name of one of the Company's Director and the investments in marketable securities amounting to AED 1.21 million are held in the name of a third party for the beneficial interest of the Company.

Investments amounting to AED 237.58 million (2010: AED 124 million) are held under lien against various un-drawn bank facilities.

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.

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

	AED'000	2010 AED'000
Opening balance	**823,514**	867,720
Additions	**311,371**	291,532
Disposals	**(398,341)**	(335,738)
	736,544	823,514

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

	AED'000	2010 AED'000
Reclassification adjustments on disposal of investments	**21,739**	20
Realised gain on disposal attributable to difference between selling price and carrying amount of investments	**(27,722)**	3,097
	(5,983)	3,117

7. Investment in marketable securities (*Continued*)

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

	AED'000	2010 AED'000
United Arab Emirates	**1,011,763**	1,002,826
Saudi Arabia	**242,952**	220,858
Other countries	**172,897**	179,938
	1,427,612	1,403,622

8. Investment in associate

Investment in associate company represents 22.74% (2010:22.74%) share in Berber Cement Company Ltd, a limited liability company incorporated 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, 2011 based on the unaudited financial statements of the associate as at December 31, 2011.

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

	AED'000	2010 AED'000
Beginning balance	**73,974**	48,660
Increase in share of investment	**-**	21,670
Share of profit in associate	**4,749**	3,644
	78,723	73,974

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

	AED'000	2010 AED'000
Share of net assets of associate (22.74%)		
Current assets	**40,298**	51,488
Non current assets	**162,909**	180,185
Current liabilities	**(75,013)**	(59,962)
Non current liabilities	**(49,471)**	(97,737)
Net assets	**78,723**	73,974

8. Investment in associate (*Continued*)

	AED'000	2010 AED'000
Share of associate's revenue and profit (22.74%)		
Revenue	**55,206**	10,157
Net profit	**4,749**	3,644

9. Inventories

	AED'000	2010 AED'000
Raw materials	**34,660**	20,500
Work in progress	**1,574**	43,220
Finished goods	**2,211**	3,453
Consumables and spare parts	**26,322**	23,883
Provision for obsolence	**(7,122)**	(7,122)
	57,645	83,934

Inventories are stated net of allowance for slow moving and obsolete items.

10. Trade and other receivables

	AED'000	2010 AED'000
Trade receivables	**92,561**	86,554
Allowance for doubtful debts	**(6,000)**	(6,000)
Trade receivables (net)	**86,561**	80,554
Advances	**22,787**	2,148
Advance towards investment	**51,824**	20,939
Prepayments and other receivables	**282**	887
	161,454	104,528

Advance towards investments relates to amount transferred for the setting up of a cement company in Syria. The total commitment for this investment is AED 107 million.

10. Trade and other receivables (Continued)

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

The Company has obtained bank guarantees for some of its customers which act as a collateral security for the amount receivable from those customers and post dated cheques are obtained for the balance amount receivable in excess of the bank guarantee. The amount of trade receivables that is secured against bank guarantees amounts to AED 42.4 million (2010: AED 54 million) and the fair value of collateral security is determined at AED 65.4 million (2010: AED 93 million).

There are 2 customers who represent 46% of the total balance of trade receivables. AED 37 million (2010: AED 35.5 million) of the trade receivables is neither past due nor impaired. The Company has provided for AED 6 million for receivables amounting to AED 49.5 million which are past due at the reporting date based on its past experience.

Ageing of trade receivables is as under:

		2010
	AED'000	AED'000
Amount not past due and not impaired	**36,929**	35,583
Amount past due but not impaired :		
0-30 days	**8,946**	12,037
31-60 days	**6,272**	9,569
61-90 days	**6,807**	6,279
91-120 days	**4,067**	4,936
Above 121 days	**23,540**	12,150
	86,561	80,554
Amount past due and impaired :		
Above 121 days	**6,000**	6,000
Total trade receivables	**92,561**	**86,554**

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

11. Related party disclosures

Related parties include the ultimate parent company, the shareholders, key management personnel, associates, joint ventures and any businesses which are controlled directly or indirectly by the Company or over which they exercise significant management influence. The balances due to/from such parties, which have been disclosed separately in the financial statements, are unsecured, interest-free and are repayable on demand.

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

		2010
	AED'000	AED'000
With Associate:		
- Interest income	-	1,515
With other related parties:		
- Sale of cement	17,015	28,681
- Purchase of materials and services	9,835	8,879
With Key Management Personnel:		
- Salaries and other short term benefits	3,417	3,227
- End of service benefits charged to income statement	189	189
- End of service benefits provided at the period end	5,544	5,544
- Directors' fee (as an appropriation from retained earnings)	1,500	1,750

Related party balances are as under:

		2010
	AED'000	AED'000
Payable:		
- To other related parties	4,142	2,410

		2010
	AED'000	AED'000
Receivable:		
- From Associate	112,318	6,423
- From other related parties	27,375	32,516
- From Directors	9,815	10,342
	149,508	49,281

12. Bank balances and cash

	2011 AED'000	2010 AED'000
Cash at hand	606	532
Current accounts with banks	20,519	10,877
	21,125	11,409

13. Bank loans and overdraft

	2011 AED'000	2010 AED'000
Bank overdraft	-	22,030
Bank loans	139,489	-
	139,489	22,030

Significant terms and conditions:

The bank loans consist of four loans by three banks which are classified as short term as all loans are payable in the next 12 months. The loans are detailed as follows:

a) The Company has loans of USD 20 million (AED 73.4 million) at a fixed rate of 3.25% falling due for repayment on May 25, 2012 and is secured by irrevocable bank guarantee from Mashreq bank for an amount of USD 20 million and pledge of all assets held in the client's account with Bank Sarasin (Investment Safekeeping Account).

b) The Company has a loan of USD 6 million (AED 22.02 million) at a fixed rate of 3% falling due for repayment on April 10, 2012 and is secured by general deed of pledge.

c) The Company has a loan of USD 12 million (AED 44.04 million) at a fixed rate of 2.20% falling due for repayment on October 11, 2012 and is secured by lien of investments amounting to AED 235 million for all facilities to the Company.

14. Trade and other payables

	AED'000	2010 AED'000
Trade payables	16,198	25,621
Derivative financial instruments	622	38,035
Other accruals and payables	10,378	15,813
Advances	133	227
Directors' fees	1,500	1,750
Dividend payable	12,885	20,279
	41,716	101,725

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

Please refer to note 30 for further information on derivative financial instruments.

15. Provision for employees' end of service gratuities

	AED'000	2010 AED'000
Opening balance	26,822	27,967
Provision created for the year	1,496	1,698
Payments made during the year	(3,090)	(2,843)
Closing balance	25,228	26,822

16. Share capital

	AED'000	2010 AED'000
Issued and fully paid up:		
358,800,800 shares of AED 1 each	**358,800**	358,800
Issued for cash		
92,000,000 shares of AED 1 each	**92,000**	92,000
Bonus shares issued by capitalising retained earnings		
266,800,000 shares of AED 1 each	**266,800**	266,800
	358,800	**358,800**

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

17. Development and investment reserve

The Directors have resolved to treat this reserve as distributable. During the year the total balance has been transferred to general reserve to the extent of AED 247.5 million and statutory reserve to the extent of AED 52.5 million.

18. Fair value reserve

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

	AED'000	2010 AED'000
Opening balance	**603,705**	570,726
Net movement in changes in fair value	**83,238**	32,999
Reclassification adjustments on disposal of investments	**27,722**	(20)
	714,665	603,705

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. During the year AED 247.57 million (2010: Nil) has been transferred from the Development and Investment Reserve.

20. Statutory reserve

In accordance with Article 57.1 of the Memorandum of Association of the Company and the UAE Commercial Companies 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. During the year an amount of AED 52.5 million (2010: AED 5.9 million from the net profit of the year) was transferred from the Development and Investment Reserve.

21. Dividend

For 2011, a cash dividend of AED 71.76 million has been proposed by the Board of Directors of the Company. The proposed dividend will be submitted for formal approval and declaration at the Annual General Meeting. In 2010, a dividend of AED 71.76 million was proposed and approved by the shareholders was paid out by way of cash dividend.

22. Cost of sales

		2010
	AED'000	AED'000
Material expenses	134,002	160,087
Utilities and other factory costs	24,348	42,703
Staff costs	17,870	20,343
Depreciation	12,175	12,209
	188,395	235,342

23. Other income

	AED'000	2010 AED'000
Rental income from investment properties	2,607	3,696
Other rental income	6,525	8,496
Income from sale of by product and scraps	3,001	2,769
Gain on sale of property, plant and equipment	166	1,770
Interest income	-	1,515
Other income	1,159	732
	13,458	18,978

24. Administration, selling and general expenses

	AED'000	2010 AED'000
Staff salaries and benefits	14,670	15,321
Staff accommodation	2,342	2,345
License fees	221	242
Insurance	677	651
Communications	193	169
Repair and maintenance	6,736	6,037
Travelling and conveyance expenses	242	237
Legal and professional	551	241
Electricity and water	189	421
Depreciation	1,982	2,388
Bank charges	1,396	843
Other	839	902
	30,038	29,797

25. Finance costs

Finance costs represent interest paid on overdrafts and bank loans.

26. Financial income/(expense) net

		2010
	AED'000	AED'000
Interest income:		
- interest swap contracts	1,208	9,953
- bank deposits	-	27
- investments	26,789	30,508
Net revaluation gain (unrealised) on :		
- interest rate swap contracts	28,402	12,790
Net gain on unwinding of:		
- interest rate swap contracts	9,011	2,322
- commodity derivative contracts	-	7,704
Gain on disposal of available for sale investments:		
- transferred from equity	-	20
- realised gain	21,739	3,097
Dividend income	23,379	19,278
Financial income	110,528	85,699
Net revaluation loss (unrealised) on:		
- interest rate swap contracts	-	18,861
- commodity derivative contracts	-	-
Loss on disposal of available for sale investments:		
- transferred from equity	27,722	-
Financial expense	27,722	18,861
Financial income recognised in the statement of comprehensive income	82,806	66,838

27. Earnings per share

		2010
	AED'000	AED'000
Net profit attributable to shareholders	64,424	63,424
Weighted average number of shares	358,800	358,800
Earnings per share	0.18	0.18

28. Cash and cash equivalents

		2010
	AED'000	AED'000
Cash and bank balances	21,125	11,409
Bank overdraft	-	(22,030)
	21,125	(10,621)

29. 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. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The details of segment revenue, segment result, segment assets and segment liabilities have been provided on page 34.

30. Financial instruments - risk management

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 shareholders.

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

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

30. Financial instruments - risk management (*Continued*)

Market risk management

The Company is primarily exposed to the market risks which comprise 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 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 or 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 1.339 million (2010: AED 1.525 million).

If the interest rates on interest rate swap contracts have had been 50 base points higher or lower and all other variables were held constant, the Company's profits would have increased or decreased by AED 0.604 million (2010: AED 0.497 million).

30. Financial instruments - risk management (*Continued*)

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 13.8 million (2010: AED 3.29 million).
- The profit would be unaffected as equity investments are classified as available for sale.

Credit risk management

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

The Company is exposed to credit risk from its financial assets which comprise principally fixed deposits, bank balances, trade and other receivables, due from related parties and investments. The Company's bank accounts are placed with high credit quality financial institutions. The credit risk on trade and other receivables and due from related parties is subjected to credit evaluations and an allowance has be en 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 45% 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 2 customers who represent 46% 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 an 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 and by continuously monitoring forecast and actual cash flows.

30. Financial instruments - risk management (*Continued*)

Derivative contracts

The Company's investments in certain securities normally carry interest which is linked to LIBOR. The Company has also entered into certain interest rate swaps contracts and commodity derivative swap contracts. These swap contracts are not designated as hedges and accordingly are treated as free standing derivative contracts. At December 31, 2011 the Company had outstanding interest rate swap contracts with a notional amount of USD 185 million (AED 681 million) ((December 31, 2010: USD 235 million (AED 863 million)).

The fair value changes in the interest rate swap and commodity swap contracts are shown as under:

		2010
	AED'000	AED'000
Interest rate swap - negative value	(622)	(38,035)
	(622)	(38,035)

Financial instruments by category

The carrying amounts for each class of financial instruments are listed below:

		2010
	AED'000	AED'000
Financial assets		
Available for sale investments	1,427,612	1,403,622
Loans and receivables:		
- Trade and other receivables	161,454	104,528
- Due from related parties	149,508	49,281
Cash and bank balances	21,125	11,409
Financial liabilities		
Other financial liabilities		
- Trade and other payables	41,716	101,725
- Due to related parties	4,142	2,410
Bank loans and overdrafts	139,489	22,030

31. Contingent liabilities and capital commitments

		2010
	AED'000	AED'000
Letters of guarantee	3,109	3,109
Letters of credit	1,859	1,180

Capital commitments at the date of statement of financial position amounts to AED 38.15 million (2010: AED 1.1 million).

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

Company as lessee

The Company has obtained 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.

Company as lessor

The Company has leased out 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

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

Schedule of property, plant and equipment

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost						
At January 1, 2010	30,608	848,290	11,853	53,335	12,982	957,068
Additions	-	-	136	3,056	15,461	18,653
Disposals	-	-	(2)	(4,524)	-	(4,526)
At December 31, 2010	30,608	848,290	11,987	51,867	28,443	971,195
Additions	-	-	615	535	3,401	4,551
Disposals	(38)	-	(403)	(430)	-	(871)
At December 31, 2011	**30,570**	**848,290**	**12,199**	**51,972**	**31,844**	**974,875**
Depreciation						
At January 1, 2010	27,595	680,928	11,126	47,324	-	766,973
Charge for the year	406	10,819	331	3,041	-	14,597
On disposals	-	-	(1)	(3,376)	-	(3,377)
At December 31, 2010	28,001	691,747	11,456	46,989	-	778,193
Charge for the year	405	10,504	427	2,821	-	14,157
On disposals	(38)	-	(401)	(430)	-	(869)
At December 31, 2011	**28,368**	**702,251**	**11,482**	**49,380**	**-**	**791,481**
Net book value						
At December 31, 2011	**2,202**	**146,039**	**717**	**2,592**	**31,844**	**183,394**
At December 31, 2010	2,607	156,543	531	4,878	28,443	193,002

Depreciation for the year is allocated as under:

	2011 AED'000	2010 AED'000
Cost of sales	**12,175**	12,209
Expenses	**1,982**	2,388
	14,157	14,597

Segment report as on December 31, 2011

	2011			2010		
	Cement AED'000	Investment in marketable securities and derivative products AED'000	Total AED'000	Cement AED'000	Investment in marketable securities and derivative products AED'000	Total AED'000
Segment revenue	185,501	110,528	296,029	241,824	85,699	327,523
Segment result	(2,894)	82,806	79,912	6,482	66,838	73,320
Other income	-	-	13,458	-	-	18,978
Unallocated expenses	-	-	(33,695)	-	-	(32,518)
Results from operating activities			59,675			59,780
Share in net profit/(loss) in equity accounted investee	-	-	4,749	-	-	3,644
	-	-	64,424	-	-	63,424
Segment assets	576,049	1,427,613	2,003,662	445,078	1,403,622	1,848,700
Investment in equity accounted investee	-	-	78,723	-	-	73,974
Total assets	576,049	1,427,613	2,082,385	445,078	1,403,622	1,922,674
Segment liabilities	209,953	622	210,575	114,952	38,035	152,987
Capital expenditure	4,551	311,371	315,922	18,653	291,532	310,185
Depreciation	14,157	-	14,157	14,597	-	14,597