RAS AL KHAIMAH CO. FOR WHITE CEMENT & CONSTRUCTION MATERIALS P.S.C. AND SUBSIDIARIES

Consolidated financial statements and independent auditor's report for the year ended 31 December 2014

**RAS AL KHAIMAH CO. FOR WHITE CEMENT &
CONSTRUCTION MATERIALS P.S.C. AND SUBSIDIARIES**

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C.
Ras Al Khaimah
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. (the "Company") (a Public Shareholding Company) and its Subsidiaries (together the "Group") - Ras Al Khaimah, United Arab Emirates** which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 entity's 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Cont'd...

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. and its Subsidiaries** as at 31 December 2014, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Group has maintained proper books of account and the physical inventory was properly conducted. We obtained all the information which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984, as amended, or the Articles of Association of the group companies which might have materially affected the consolidated financial position of the Group or its consolidated financial performance.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
26 February 2015

Consolidated statement of financial position
at 31 December 2014

	Notes	2014 AED	2013 AED
ASSETS			
Non current assets			
Property, plant and equipment	5	**564,734,914**	539,938,382
Investments carried at fair value through other comprehensive income (FVTOCI)	6	**427,316,150**	456,509,670
Total non current assets		**992,051,064**	996,448,052
Current assets			
Inventories	7	**89,040,109**	86,508,370
Trade and other receivables	8	**101,566,783**	109,704,913
Investments carried at fair value through profit or loss (FVTPL)	6	**58,117,139**	29,301,800
Bank balances and cash	9	**15,291,789**	22,573,776
Total current assets		**264,015,820**	248,088,859
Total assets		**1,256,066,884**	1,244,536,911
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	**490,350,000**	467,000,000
Reserves	11	**190,149,458**	183,798,958
Cumulative changes in fair value (FVTOCI)		**152,750,649**	151,493,979
Retained earnings		**60,473,222**	82,310,302
Total equity		**893,723,329**	884,603,239
Non-current liabilities			
Provision for employees' end of service indemnity	12	**10,547,783**	9,401,628
Finance lease liability	13	**12,365,661**	22,596,631
Bank borrowings	14	**59,459,696**	76,219,213
Total non-current liabilities		**82,373,140**	108,217,472
Current liabilities			
Finance lease liability	13	**10,230,970**	9,818,986
Bank borrowings	14	**151,478,417**	102,412,608
Trade and other payables	15	**118,261,028**	139,484,606
Total current liabilities		**279,970,415**	251,716,200
Total liabilities		**362,343,555**	359,933,672
Total equity and liabilities		**1,256,066,884**	1,244,536,911

Chairman **General Manager**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of income
for the year ended 31 December 2014

	Notes	2014 AED	2013 AED
Revenue	**16**	**406,816,652**	425,309,860
Cost of sales	**17**	**(343,909,390)**	(349,784,051)
Gross profit		**62,907,262**	75,525,809
Selling, general and administrative expenses		**(39,737,326)**	(41,532,782)
Investment income	**18**	**11,845,088**	21,582,355
Other income		**4,522,205**	459,030
Finance costs		**(7,784,728)**	(5,174,913)
Profit for the year		**31,752,501**	50,859,499
Basic earnings per share	**19**	**0.06**	0.10

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2014

	2014 AED	2013 AED
Profit for the year	**31,752,501**	50,859,499
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Increase in fair value of investments carried at FVTOCI	**1,256,670**	146,167,533
Gain on sale of investments carried at FVTOCI	**1,160,919**	1,407,301
Board of Directors' remuneration	**(1,700,000)**	(650,000)
Other comprehensive income for the year	**717,589**	146,924,834
Total comprehensive income for the year	**32,470,090**	197,784,333

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2014

	Share capital AED	Reserves AED	Cumulative changes in fair value (FVTOCI) AED	Retained earnings AED	Total AED
Balance at 31 December 2012	467,000,000	173,627,058	6,698,452	86,193,396	733,518,906
Profit for the year	-	-	-	50,859,499	50,859,499
Other comprehensive income	-	-	144,795,527	2,129,307	146,924,834
Total comprehensive income for the year	-	-	144,795,527	52,988,806	197,784,333
Dividends paid	-	-	-	(46,700,000)	(46,700,000)
Transfer to statutory and voluntary reserve (Note 11)	-	10,171,900	-	(10,171,900)	-
	-	10,171,900	-	(56,871,900)	(46,700,000)
Balance at 31 December 2013	467,000,000	183,798,958	151,493,979	82,310,302	884,603,239

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2014 (continued)

	Share capital AED	Reserves AED	Cumulative changes in fair value (FVTOCI) AED	Retained earnings AED	Total AED
Balance at 31 December 2013	467,000,000	183,798,958	151,493,979	82,310,302	884,603,239
Profit for the year	-	-	-	31,752,501	31,752,501
Other comprehensive income	-	-	1,256,670	(539,081)	717,589
Total comprehensive income for the year	-	-	1,256,670	31,213,420	32,470,090
Dividends paid (Note 21)	-	-	-	(23,350,000)	(23,350,000)
Bonus shares issued during the year (Note 10, 21)	23,350,000	-	-	(23,350,000)	-
Transfer to statutory and voluntary reserve (Note 11)	-	6,350,500	-	(6,350,500)	-
	23,350,000	6,350,500	-	(53,050,500)	(23,350,000)
Balance at 31 December 2014	**490,350,000**	**190,149,458**	**152,750,649**	**60,473,222**	**893,723,329**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2014

	2014 **AED**	2013 AED
Cash flows from operating activities		
Profit for the year	**31,752,501**	50,859,499
Adjustments for:		
Depreciation of property, plant and equipment	**30,269,205**	31,956,925
Allowance for slow moving inventories	**-**	165,214
Allowance for doubtful debts	**-**	2,441,552
Reversal of allowance for doubtful debts	**(159,019)**	-
Profit on disposal of property, plant and equipment	**-**	(20,440)
Provision for employees' end of service indemnity	**1,879,490**	1,603,858
Unrealised gain on investment at FVTPL	**(2,529,216)**	(13,645,800)
Investment income	**(9,315,872)**	(7,936,555)
Finance costs	**7,784,728**	5,174,913
Operating cash flows before changes in operating assets and liabilities	**59,681,817**	70,599,166
Decrease/(increase) in trade and other receivables	**8,297,149**	(7,945,997)
Increase in inventories	**(2,531,739)**	(48,784,708)
Decrease in trade and other payables	**(20,269,120)**	(5,817,147)
Cash generated from operations	**45,178,107**	8,051,314
Employees' end of service indemnity paid	**(733,335)**	(558,547)
Finance cost paid	**(7,723,733)**	(6,549,894)
Net cash generated by operating activities	**36,721,039**	942,873

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2014 (continued)

	2014 AED	2013 AED
Cash flows from investing activities		
Purchase of property, plant and equipment	**(55,065,737)**	(80,849,544)
Proceeds on disposal of property, plant and equipment	**-**	28,000
Dividend received	**9,271,369**	7,887,527
Purchase of investments in securities	**(47,767,004)**	(21,490,117)
Proceeds on disposal of investments in securities	**53,094,256**	20,828,243
Interest received	**42,237**	49,028
Net cash used in investing activities	**(40,424,879)**	(73,546,863)
Cash flows from financing activities		
Board of Directors' remuneration paid	**(1,700,000)**	(650,000)
Repayment of finance lease liability	**(9,818,986)**	(9,523,599)
Increase in bank overdraft	**4,683,541**	47,019,429
Term loan obtained	**59,558,061**	98,141,046
Repayment of bank borrowings	**(31,935,310)**	(16,265,479)
Dividends paid	**(24,365,453)**	(45,831,538)
Net cash (used in)/generated from financing activities	**(3,578,147)**	72,889,859
Net (decrease)/increase in cash and cash equivalents	**(7,281,987)**	285,869
Cash and cash equivalents at the beginning of the year	**22,573,776**	22,287,907
Cash and cash equivalents at the end of the year (see Note 9)	**15,291,789**	22,573,776

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2014

1. General information

Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C., Ras Al Khaimah (the "Company") is incorporated as a public shareholding company by Emiri decree number 13/18 dated 2 October 1981 issued by His Highness, The Ruler of Ras Al Khaimah. The address of the Company's registered office is P. O. Box 1492, Ras Al Khaimah, United Arab Emirates.

The "Group" comprises Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. and its Subsidiaries (Note 3.3).

The principal activities of the Group is manufacturing and supply of white cement, lime products and cement products and investing, establishing and managing similar activities.

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

2.1 New and revised International Financial Reporting Standards ("IFRSs) applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2014, have been adopted in these consolidated financial statements. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.
- Amendments to IAS 36 recoverable amount disclosures:
  The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognised or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities:
  On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs.

2.2 New and revised International Financial Reporting Standards ("IFRSs") in issue but not yet effective and not early adopted

The Group has not early applied the following new standards, amendments and interpretations that have been issued but not yet effective:

New and revised IFRSs	**Effective for annual periods beginning on or after**
• Amendments to IFRS 7 *Financial Instruments*: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

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

2.2 New and revised International Financial Reporting Standards ("IFRSs") in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• IFRS 7 *Financial Instruments*: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
• IFRS 9 Financial Instruments (2014) Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model. A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses will apply to debt instruments measured at amortized costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	1 January 2018
• IFRS 15 Revenue from Contracts with Customers: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.	1 January 2017
• Annual improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 January 2016
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortisation.	1 January 2016
• Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.	1 January 2016

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

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016
• Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between and investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
• Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016
• Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016
• Annual improvements to IFRSs 2010 – 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.	1 July 2014
• Annual improvements to IFRSs 2011 – 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	1 July 2014
• Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to period of service.	1 July 2014

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

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 9 (2014) will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018. The application of IFRS 9 (2014) may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of this standard until the Group performs a detailed review.

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at fair value or at amortised cost as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies adopted are set out below.

3.3 Basis of consolidation

The consolidated financial statements of Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. and Subsidiaries (the "Group") incorporate the financial statements of the Company and the entities controlled by the Company (its Subsidiaries).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries:

Details of the Company's subsidiaries at 31 December 2014 are as follows:

Name of subsidiary	Proportion of ownership interest	Country of incorporation	Principal activities
Modern Block Factory	100%	U.A.E.	Manufacturing of concrete blocks, interlock tiles and cement products.
Ras Al Khaimah Lime Co. Noora	100%	U.A.E.	Manufacturing of lime products.

3. Significant accounting policies (continued)

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. Significant accounting policies (continued)

3.4 Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.5 Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit and loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. Significant accounting policies (continued)

3.6 Revenue recognition (continued)

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

3.7 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease liability.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

3.8 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise.

3. Significant accounting policies (continued)

3.9 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 specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

3.10 Employee benefits

Defined contribution plan

U.A.E. national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to Federal Labour Law No. 7 of 1999. The Group is required to contribute 12.5% of the “contribution calculation salary” of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the “contribution calculation salary” respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions (12.5%). The contributions are charged to profit or loss.

Annual leave and leave passage

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

Provision for employees’ end of service benefits

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law and is based on current remuneration and their period of service at the end of the reporting period.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

3.11 Property, plant and equipment

Land is carried at cost.

Properties in the course of construction for production or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. Significant accounting policies (continued)

3.11 Property, plant and equipment (continued)

Other property, plant and equipment, are stated at their cost, less any subsequent accumulated depreciation and any subsequent identified impairment losses.

Depreciation is charged so as to write off the cost of assets, other than properties under construction and land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

	Years
Buildings	5 – 20
Plant and machinery	5 – 30
Tools and equipment	10 - 15
Vehicles	10 – 30
Furniture and fixtures	4

3.12 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. Significant accounting policies (continued)

3.13 Inventories

Finished products are stated at the lower of cost and net realisable value. Cost comprises raw materials, wages and industrial costs that contribute in transforming raw materials into finished products. Cost is calculated using the weighted average method.

Products in process are stated at the lower of cost and net realisable value. Cost comprises raw materials, wages and industrial costs that contribute in transforming raw materials into products in process.

Raw materials and consumable spare parts are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Inventories of bags, fuel and lubricants are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.15 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3.16 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, 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.

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

3.16 **Financial assets** (continued)

Financial assets of the Group are classified into the following specified categories: bank balances and cash, loans and receivables, 'investment at fair value through other comprehensive income (FVTOCI)' and 'investment at fair value through profit or loss (FVTPL)'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for financial assets other than those financial assets classified as at FVTPL.

3.16.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.16.2 Financial assets at FVTOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is 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 Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments. Fair value is determined in the manner described in note 24.11.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

3. Significant accounting policies (continued)

3.16 Financial assets (continued)

3.16.3 Financial assets at FVTPL

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 24.11.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue.

3.16.4 Loans and receivables

Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.16.5 Impairment of financial assets

Financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant accounting policies (continued)

3.16 Financial assets (continued)

3.16.6 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

3.17 Financial liabilities and equity instruments issued by the Group

3.17.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.17.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3.17.3 Financial liabilities

Trade and other payables (excluding advances from customers), finance lease liability and bank borrowings are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised by applying the effective interest rate, except for short term payables when the recognition of interest would be immaterial.

3.17.4 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.18 Dividend distribution

Dividend distribution to the Shareholders is recognised as liability in the consolidated financial statements in the period in which the dividends are approved by the Shareholders.

4. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in Note 3, management has made judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and applied certain assumptions, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below:

4.1 Critical judgments in applying accounting policies

4.1.1 Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI or FVTPL. In judging whether investments in securities are as at FVTOCI or FVTPL, management has considered the detailed criteria for determination of such classification as set out IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

4.2 Key sources of estimation uncertainty

4.2.1 Impairment of trade receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. This determination of whether these trade receivables are impaired, entails the Group evaluating, the credit and liquidity position of the customers, historical recovery rates and collateral requirements from certain customers in certain circumstances. The difference between the estimated collectible amount and the carrying amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

4.2.2 Inventories

Inventories are stated at the lower of cost or market value. Adjustments to reduce the cost of inventory to its realisable value, if required, are made at the product group level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues. Based on the above factors, the Group has arrived at certain percentages for allowance for slow moving and obsolete inventories. Revisions to these adjustments would be required if these factors differ from the estimates.

4.2.3 Property, plant and equipment

The cost of property, plant and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. The management has not considered any residual value of the property, plant and equipment.

The Company reviews the estimated useful lives of property and equipment at the end of each annual reporting period. During the financial year, the management determined that the useful lives of certain items of plant and machinery should be increased.

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

4.2 Key sources of estimation uncertainty (continued)

4.2.3 Property, plant and equipment (continued)

The financial effect of the reassessment, assuming the asset are held until the end of their estimated useful lives, is to decrease the depreciation expense in the current financial year and for the future years, by the following amount:

	Amount AED
2014	4,886,779
2015	4,886,779
2016 and after	122,169,475

4.2.4 Valuation of unquoted equity instruments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, management estimates the fair value of these instruments using expected cash flows discounted at current rates for similar instruments or other valuation models.

5. Property, plant and equipment

	Land and buildings AED	Plant and machinery AED	Tools and equipment AED	Vehicles AED	Furniture and fixtures AED	Properties under construction AED	Total AED
Cost							
At 31 December 2012	50,132,916	410,804,036	12,599,293	28,893,050	1,596,064	53,565,786	557,591,145
Additions	441,840	7,542,341	888,361	2,917,500	253,985	70,725,408	82,769,435
Transfers	-	71,488,166	-	-	-	(71,488,166)	-
Disposals	-	-	-	(32,463)	-	-	(32,463)
At 31 December 2013	50,574,756	489,834,543	13,487,654	31,778,087	1,850,049	52,803,028	640,328,117
Additions	1,506,649	1,071,318	381,392	98,031	288,960	51,719,387	55,065,737
Transfers	-	70,352,399	-	-	-	(70,352,399)	-
At 31 December 2014	**52,081,405**	**561,258,260**	**13,869,046**	**31,876,118**	**2,139,009**	**34,170,016**	**695,393,854**
Accumulated depreciation							
At 31 December 2012	2,843,433	46,574,827	5,545,610	12,462,500	1,031,343	-	68,457,713
Charge for the year	1,135,884	25,607,174	1,750,271	3,142,356	321,240	-	31,956,925
Eliminated on disposals	-	-	-	(24,903)	-	-	(24,903)
At 31 December 2013	3,979,317	72,182,001	7,295,881	15,579,953	1,352,583	-	100,389,735
Charge for the year	1,162,457	24,294,640	1,522,129	3,022,782	267,197	-	30,269,205
At 31 December 2014	**5,141,774**	**96,476,641**	**8,818,010**	**18,602,735**	**1,619,780**	**-**	**130,658,940**
Carrying amount							
At 31 December 2014	**46,939,631**	**464,781,619**	**5,051,036**	**13,273,383**	**519,229**	**34,170,016**	**564,734,914**
At 31 December 2013	46,595,439	417,652,542	6,191,773	16,198,134	497,466	52,803,028	539,938,382

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

5. Property, plant and equipment (continued)

At 31 December 2014 the cost of fully depreciated property, plant and equipment that was still in use amounted to AED 20,794,318 (2013: AED 17,084,782).

Property under construction mainly represents expenditure incurred on the construction of pet coke project.

Property, plant and equipment having a carrying amount of AED 191 million (31 December 2013: AED 257.32 million) is mortgaged to a bank and a leasing company against credit facilities provided to the Group.

Plots of land on which, clinker and lime production facilities, administrative office buildings are constructed are situated in Ras Al Khaimah and owned by the Group.

Borrowing costs on funds specifically borrowed for obtaining the qualifying assets amounting to AED 376,004 have been capitalised during the current year (2013: AED 1,919,891).

During the years 2005 and 2007, the Group recognised impairment losses totaling to AED 114 million. Moreover, property, plant and equipment with carrying value totaling to AED 494 million were written off during the years 2005 and 2007.

6. Investments in securities

(i) Investments carried at fair value through other comprehensive income (FVTOCI)

	2014 **AED**	2013 AED
Quoted – at fair value	**414,106,224**	443,299,744
Unquoted – at fair value	**13,209,926**	13,209,926
	427,316,150	456,509,670
In U.A.E.	**340,432,845**	339,645,662
In other GCC countries	**75,723,380**	105,704,083
In other countries	**11,159,925**	11,159,925
	427,316,150	456,509,670

(ii) Investments carried at fair value through profit or loss (FVTPL)

	2014 **AED**	2013 AED
Quoted – in U.A.E.	**58,117,139**	29,301,800

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

6. Investments in securities (continued)

Movements in investments were as follows:

	2014 **AED**	2013 AED
Fair value at the beginning of the year	**485,811,470**	323,928,962
Purchased during the year	**47,767,004**	21,490,117
Disposal during the year	**(51,931,071)**	(19,420,942)
Increase in fair value of investments at FVTOCI	**1,256,670**	146,167,533
Unrealised gain on investments carried at FVTPL	**2,529,216**	13,645,800
	485,433,289	485,811,470

Investment in securities amounting to AED 338,382,845 (2013: AED 339,645,661) are lodged to the bank against credit facilities granted to the Group (Note 14).

Investment in securities amounting to AED Nil (2013: AED 3,124,979) are registered in the name of related parties in benefit and trust of the Group.

7. Inventories

	2014 **AED**	2013 AED
Finished goods	**11,328,747**	9,985,582
Raw materials	**9,863,328**	9,969,760
Work in progress	**42,590,107**	39,095,851
Bags, fuel and lubricants	**7,136,123**	6,582,933
	70,918,305	65,634,126
Spare parts - maintenance department	**24,776,290**	27,307,710
Allowance for slow-moving inventories	**(6,889,633)**	(6,889,633)
	17,886,657	20,418,077
Goods in transit	**235,147**	456,167
	89,040,109	86,508,370

**Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)**

8. Trade and other receivables

	2014 AED	2013 AED
Trade receivables	**100,466,245**	109,030,493
Allowance for doubtful debts	**(3,593,874)**	(3,752,893)
	96,872,371	105,277,600
Advances to suppliers	**1,308,846**	1,112,749
Prepaid expenses and other receivables	**3,385,566**	3,314,564
	101,566,783	109,704,913

Analysis of trade receivables are set out below:

	2014 AED	2013 AED
Secured against unconditional bank guarantees	**25,879,137**	41,016,399
Secured against letters of credit	**12,251,947**	17,125,963
Open credit	**62,335,161**	50,888,131
	100,466,245	109,030,493

The average credit period on sales of goods is 120 days (2013: 120 days).

Before accepting any new customer, the Group normally obtains bank guarantees from the potential customers. Of the trade receivable balance at the end of year AED 39 million (2013: AED 41 million) is due from the Group's largest customer. There are 2 (2013: 2) other customers who individually represent more than 10% of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of AED 8.8 million (2013: AED 21.7 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Movements in allowance for doubtful debts are as follows:

	2014 AED	2013 AED
Balance at the beginning of the year	**3,752,893**	1,311,341
Allowance made during the year	**-**	2,441,552
Reversals made during the year	**(159,019)**	-
Balance at the end of the year	**3,593,874**	3,752,893

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

8. Trade and other receivables (continued)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted upto the reporting date. Since the trade receivables are secured against bank guarantees, the directors believe that no additional provision is required for the allowance for doubtful debts.

Advances to suppliers include amounts of AED 225,443 (2013: AED 262,136) paid to related parties. Trade receivables include amounts of AED 9,344 (2013: AED 173,987) due from related parties.

9. Bank balances and cash

	2014 AED	2013 AED
Cash on hand	**359,240**	152,654
Portfolio accounts	**4,441,750**	698,635
	4,800,990	851,289
Bank balances:		
Current accounts	**3,411,788**	4,781,485
Call deposits	**7,079,011**	16,941,002
	10,490,799	21,722,487
Cash and cash equivalents	**15,291,789**	22,573,776
Bank balances and cash:		
In U.A.E.	**11,693,852**	21,559,387
In other GCC countries	**3,597,937**	1,014,389
	15,291,789	22,573,776

10. Share capital

	2014 AED	2013 AED
Issued and fully paid: 490,350,000 ordinary shares of AED 1 each (31 December 2013: 467,000,000 ordinary shares of AED 1 each)	**490,350,000**	467,000,000

**Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)**

10. Share capital (continued)

During the year, the share capital of the Company was increased by AED 23.35 million by the issue of bonus shares of AED 1 each. The issue of bonus shares was approved by the Shareholders at the Annual General Meeting held on 19 April 2014.

11. Reserves

According to the Company's Articles of Association and the requirements of the U.A.E. Federal Commercial Companies Law No 8 of 1984, as amended, 10% of the profit for each year is transferred to the statutory reserve and another 10% to the voluntary reserve. The transfer to statutory reserve may be suspended when it reaches 50% of the paid-up share capital. Statutory reserve is not available for distribution except as stipulated by the Law. The transfer to voluntary reserve may be suspended by the ordinary general assembly at the recommendation of the Board of Directors or when it reaches 20% of the Company's paid-up share capital.

	Statutory reserve AED	Voluntary reserve AED	Total AED
Balance at 31 December 2012	91,120,071	82,506,987	173,627,058
Movement during the year	5,085,950	5,085,950	10,171,900
Balance at 31 December 2013	96,206,021	87,592,937	183,798,958
Movement during the year	3,175,250	3,175,250	6,350,500
Balance at 31 December 2014	**99,381,271**	**90,768,187**	**190,149,458**

12. Provision for employees' end of service indemnity

Movements in the net liability were as follows:

	2014 AED	2013 AED
Balance, at the beginning of the year	**9,401,628**	8,356,317
Amounts charged to income during the year	**1,879,490**	1,603,858
Amounts paid during the year	**(733,335)**	(558,547)
Balance, at the end of the year	**10,547,783**	9,401,628

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

13. Finance lease liability

The Group entered into a sale and lease back arrangement with a leasing company registered in the United Arab Emirates to finance the clinker production plant. The finance charges are based on 3 months LIBOR plus margin of 3.5% per annum. The term of the lease is 5 years with first repayment due on 1 March 2012. The payment due under leasing arrangement is as follows:

	Minimum lease payments 31 December		**Present value of minimum lease payment 31 December**	
	2014	2013	**2014**	2013
	AED	AED	**AED**	AED
Due within one year	**10,880,936**	10,880,936	**10,230,970**	9,818,986
Due in the second through fifth year	**12,622,869**	23,575,361	**12,365,661**	22,596,631
	23,503,805	34,456,297	**22,596,631**	32,415,617
Less: Future finance costs	**(907,174)**	(2,040,680)	**-**	-
	22,596,631	32,415,617	**22,596,631**	32,415,617

Included in the consolidated financial statements as:

	2014	2013
	AED	AED
Current portion of finance lease liability	**10,230,970**	9,818,986
Non-current portion of finance lease liability	**12,365,661**	22,596,631
	22,596,631	32,415,617

**Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)**

14. Bank borrowings

	2014 AED	2013 AED
Bank overdraft	**72,975,207**	68,291,666
Trust receipts	**49,792,148**	-
Loans	**88,170,758**	110,340,155
	210,938,113	178,631,821
Bank borrowings are repayable as follows:		
Within one year	**151,478,417**	102,412,608
In second to fifth year	**56,850,838**	76,219,213
After five years	**2,608,858**	-
	210,938,113	178,631,821
Less: Amount due for settlement within 12 months from the reporting date (shown under current liabilities)	**(151,478,417)**	(102,412,608)
Amount due for settlement after 12 months from the reporting date (shown under non-current liabilities)	**59,459,696**	76,219,213

- The Bank overdrafts bears interest at 3 month EIBOR plus applicable margins 2.5% prevailing on the first working day of each month. The Overdraft facility is secured by lodgement of acceptable shares ("Lodged Shares") as noted in Note 6.

- The trust receipts are repayable within 120 days from the date of advance.

- Long term loans include the following:

  a) An amount of AED 60,000,000 was obtained to upgrade the kiln to increase the capacity of the production, which carries interest at 1 month EIBOR plus applicable margins. This loan will be repaid in 6.5 years on a monthly instalment, with a grace period of 1.5 years that commenced on 30 April 2014.
  b) An amount of AED 50,000,000 was obtained to convert the outside short term liabilities into medium term finance and to improve liquidity which carries interest at 3 months IBOR plus applicable margins. The loan shall be repaid in ten equated quarterly instalments of AED 5,275,000, which shall comprise of the principal and interest amount after the moratorium period. The commencement date of repayment was on 4 March 2014.

- Property, plant and equipment having a carrying amount of AED 191 million (2013: AED 257 million) is pledged to a bank against above facilities granted by the bank until the end of facilities term or full settlement of the above credit facilities.

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

15. Trade and other payables

	2014 AED	2013 AED
Trade payables	**42,453,861**	62,727,234
Dividend payables	**37,449,479**	38,464,932
Advances from customers	**1,819,739**	1,254,664
Payable against purchase of land	**-**	4,277,752
Accrued expenses and other payables	**36,537,949**	32,760,024
	118,261,028	139,484,606

The average credit period on purchase of goods is 90 days (2013: 90 days). The Group has financial risk management policies in place to ensure that all payables are paid within credit period time frame.

Trade payables includes amounts of AED 62,520 (2013: AED 288,002) payable to a related party.

16. Revenue

An analysis of the Group's revenue is as follows:

	2014 AED	2013 AED
Local sales	**137,161,964**	129,856,779
Export sales	**269,654,688**	295,453,081
	406,816,652	425,309,860

Revenue includes AED 171.76 million - 42% from 4 customers (2013: AED 206.3 million – 48%, from 3 customers).

17. Cost of sales

	2014 AED	2013 AED
Raw material used in production	**56,422,321**	77,517,432
Spare parts and consumables used in production	**12,746,667**	11,894,499
Fuel, electricity and water	**202,950,768**	197,701,154
Payroll and related expenses	**29,115,682**	26,047,987
Other direct operating expenses	**13,035,927**	7,416,149
Depreciation of property, plant and equipment	**29,638,025**	29,206,830
	343,909,390	349,784,051

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

18. Investment income

	2014 AED	2013 AED
Unrealised gain on revaluation of investments carried at FVTPL	**2,529,216**	13,645,800
Dividend income	**9,271,369**	7,887,527
Interest income	**42,237**	49,028
Realised gain on sale of investments carried at FVTPL	**2,266**	-
	11,845,088	21,582,355

19. Basic earnings per share

	2014	2013
Profit for the year (in AED)	**31,752,501**	50,859,499
Number of shares	**490,350,000**	490,350,000
Basic earnings per share (in AED)	**0.06**	0.10

The denominator for the purpose of calculating basic earnings per share for 2013 has been adjusted to reflect the issuance of AED 23.35 million bonus shares (Note 10, 21).

20. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard No. 24: Related Party Disclosures. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are described below:

20. Related party transactions (continued)

During the year, the Group entered into the following transactions with related parties who are not members of the Group:

	2014 AED	2013 AED
Purchases and other expenses	**9,884,385**	21,815,195
Property, plant and equipment purchased	**1,903,651**	7,602,496
Sales	**65,327**	689,003

Transactions with related parties were entered into on terms agreed with the management.

Compensation of key management personnel:

	2014 AED	2013 AED
Board of Directors' remuneration	**1,700,000**	650,000
Directors fees	**2,250,000**	2,250,000
Short term benefits	**1,333,000**	740,800

21. Dividends

At the Board meeting held on 26 February 2015, the Board of Directors proposed a cash dividend of 5% amounting to AED 24.5 million in respect of the year ended 31 December 2014 (2013: cash dividend amounting to AED 23.35 million and bonus share amounting to AED 23.35 million).

The above is subject to the approval by the Shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

22. Commitments and contingent liabilities

	2014 AED	2013 AED
Letters of credit	**-**	850,076
Letters of guarantee	**740,000**	28,815,852
Commitments for the acquisition of property, plant and equipment	**16,466,284**	184,000,000

**Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)**

23. Capital risk management

The Group manages its capital to ensure that the Group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debts and equity balance.

The capital structure of the Group consists of finance lease liability, bank borrowings, bank balances and cash and equity, comprising issued capital, reserves and retained earnings.

The Group reviews the capital structure on a semi-annual basis. As part of this review, the Group considers the cost of capital and the risks associated with capital. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objective.

24. Financial instruments

The Group is exposed to a range of financial risks through its financial assets and financial liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and financial liabilities are interest rate risk and equity price risk.

24.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

24.2 Categories of financial instruments

	2014 AED	2013 AED
Financial assets		
At amortised cost	**114,504,379**	131,125,951
At fair value	**485,433,289**	485,811,470
	599,937,668	616,937,421
Financial liabilities		
At amortised cost	**349,976,033**	349,227,380

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

24. Financial instruments (continued)

24.3 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity price risk.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

24.4 Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2014	2013	**2014**	2013
	AED	AED	**AED**	AED
US Dollars	**22,921,724**	23,206,180	**20,147,944**	36,119,242
Kuwaiti Dinar	**-**	-	**75,723,381**	105,704,082
Euro	**907,460**	1,291,595	**-**	345,009
JPY	**13,776**	38,802	**-**	-
SAR	**863,090**	113,358	**8,860,769**	-
QAR	**-**	-	**6,319,920**	-

24.5 Foreign currency sensitivity analysis

The Group is mainly exposed to United States Dollars (USD), Kuwaiti Dinar and Euro. Based on the sensitivity analysis to a 10% increase or decrease in the AED against Kuwaiti Dinar, the Group's profit for the year ended 31 December 2014 and equity as of and 31 December 2014 would have increased or decreased by approximately AED 7.5 million (2013: AED 10.6 million). There is no impact on USD because of dollar peg and no material exposure against Euro, Japanese Yen and Saudi Riyal. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

24. Financial instruments (continued)

24.6 Interest rate risk management

The Group's exposure to interest rate risk is limited to call deposits with banks at floating interest rates, finance lease liability and borrowings from banks at floating rates of interest linked to LIBOR. At 31 December 2014 bank call deposits carried an interest rate in the range of 0.3% to 0.5% per annum (31 December 2013: 0.3% to 0.5% per annum) and bank loans carried an interest rate in the range of 3.2% to 4.25% per annum (31 December 2013: 4% to 4.25% per annum).

If interest rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Group's profit for the year ended 31 December 2014 and equity as at 31 December 2014 would have decreased/increased by approximately AED 1.1 million (2013: increase/decrease by AED 0.9 million).

24.7 Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

The credit risk associated with the Group's trade receivables is considered limited as the Group holds receivables amounting to AED 38.13 million (2013: AED 58.1 million) fully covered by unconditional bank guarantees and letters of credit to secure the collectability of these trade receivables. Ongoing credit evaluation is performed on the financial condition of trade receivable.

Credit risk with respect to concentration of trade receivables by geographical area is as follows:

	2014 **AED**	2013 AED
United Arab Emirates	**28,505,818**	32,546,852
Other Gulf Cooperation Council countries	**64,385,997**	67,893,659
Other countries	**7,574,430**	8,589,982
	100,466,245	109,030,493

At the reporting date, 4 customers accounted for 63% of total outstanding trade receivables (2013: 4 customers, 71%).

The credit risk on liquid funds is limited because the counter parties are banks registered in the U.A.E.

24. Financial instruments (continued)

24.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Group's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure that adequate liquidity is maintained. The maturity profile of the assets and liabilities at the reporting date based on contractual repayment arrangements was as follows:

31 December 2014

	Less than 30 days	31-120 days	121-360 days	After 360 days	Total
	AED	AED	AED	AED	AED
Financial assets					
Investments at FVTOCI	-	-	-	427,316,150	427,316,150
Trade and other receivables	25,210,602	61,800,817	12,201,171	-	99,212,590
Investments at FVTPL	58,117,139	-	-	-	58,117,139
Bank balances and cash	15,291,789	-	-	-	15,291,789
	98,619,530	61,800,817	12,201,171	427,316,150	599,937,668
Financial liabilities					
Trade and other payables	26,317,615	41,463,687	48,659,987	-	116,441,289
Finance lease liability	852,581	3,410,323	5,968,066	12,365,661	22,596,631
Bank borrowings	73,667,731	59,362,503	18,448,183	59,459,696	210,938,113
	100,837,927	104,236,513	73,076,236	71,825,357	349,976,033

**Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)**

24. Financial instruments (continued)

24.8 Liquidity risk management (continued)

31 December 2013

	Less than 30 days	31-120 days	121-360 days	After 360 days	Total
	AED	AED	AED	AED	AED
Financial assets					
Investments at FVTOCI	-	-	-	456,509,670	456,509,670
Trade and other receivables	31,553,513	57,327,223	19,671,439	-	108,552,175
Investments at FVTPL	29,301,800	-	-	-	29,301,800
Bank balances and cash	22,573,776	-	-	-	22,573,776
	83,429,089	57,327,223	19,671,439	456,509,670	616,937,421
Financial liabilities					
Trade and other payables	62,991,799	75,238,143	-	-	138,229,942
Finance lease liability	804,095	3,241,925	5,772,966	22,596,631	32,415,617
Bank borrowings	1,355,456	16,569,608	84,487,544	76,219,213	178,631,821
	65,151,350	95,049,676	90,260,510	98,815,844	349,277,380

24.9 Equity price risk

Sensitivity analysis

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Group's statement of income and comprehensive income would have increased/decreased by AED 5.8 million and by AED 42.7 million respectively (2013: AED 2.9 million and by AED 45.7 million respectively).

24. Financial instruments (continued)

24.9 Equity price risk (continued)

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk as at the reporting date.

- As at the reporting date if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and other comprehensive income has been shown above.

- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

24.10 Price risk

The Group has exposure to market price risk which has significant impact on its revenue, results of operations and cash flows which can vary with fluctuations in the market prices. These are affected by factors outside the Group's control, including the market forces of supply and demand and regulatory issues. The Group mitigates the price risk through entering in to long term contracts with certain customers as well as focusing on new markets for export.

24.11 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2013.

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

24. Financial instruments (continued)

24.11 Fair value measurements (continued)

Financial assets	Fair value as at 31 December 2014 AED	31 December 2013 AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Investments carried at FVTOCI						
Quoted equity securities	**414,106,224**	443,299,744	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	**13,209,926**	13,209,926	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.
Financial assets at FVTPL						
Quoted equity securities	**58,117,139**	29,301,800	Level 1	Quoted bid prices in an active market.	None	N/A

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from 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); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

24. Financial instruments (continued)

24.11 Fair value measurements (continued)

31 December 2014

	Level 1	**Level 2**	**Level 3**	**Total**
	AED	**AED**	**AED**	**AED**
Financial assets at FVTOCI				
Quoted equities	**414,106,224**	**-**	**-**	**414,106,224**
Unquoted equities	**-**	**-**	**13,209,926**	**13,209,926**
Financial assets at FVTPL				
Quoted equities	**58,117,139**	**-**	**-**	**58,117,139**
	472,223,363	**-**	**13,209,926**	**485,433,289**

31 December 2013

	Level 1	Level 2	Level 3	Total
	AED	AED	AED	AED
Financial assets at FVTOCI				
Quoted equities	443,299,744	-	-	443,299,744
Unquoted equities	-	-	13,209,926	13,209,926
Financial assets at FVTPL				
Quoted equities	29,301,800	-	-	29,301,800
	472,601,544	-	13,209,926	485,811,470

There were no transfers between the levels during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table

25. Segment information

The Group is organised into two main business segments:

Manufacturing of white cement, lime products, cement products and investments incorporating investments in marketable equity securities, deposits with banks.

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

25. Segment information (continued)

	2014			2013		
	Manufacturing	**Investments**	**Total**	Manufacturing	Investments	Total
	AED	**AED**	**AED**	AED	AED	AED
Segment revenue	**406,816,652**	**-**	**406,816,652**	425,309,860	-	425,309,860
Segment result	**19,907,413**	**11,845,088**	**31,752,501**	29,277,144	21,582,355	50,859,499
Segment assets	**755,341,806**	**496,954,050**	**1,252,295,856**	736,151,665	503,451,107	1,239,602,772
Unallocated assets	**-**	**-**	**3,771,028**	-	-	4,934,139
Total assets			**1,256,066,884**			1,244,536,911
Segment liabilities	**362,343,555**	**-**	**362,343,555**	359,933,672	-	359,933,672

There are no transactions between the business segments.

26. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 26 February 2015.