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 2016

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the 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 2016, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other requirements that are relevant to our audit of the Group's consolidated financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters.
Impairment of trade receivable As at 31 December 2016, trade receivables were AED 86.20 million against which impairment provision of AED 2.3 million was recorded (Note 8 to the consolidated financial statements). The management exercises significant judgement when determining both when and how much to record as trade receivable impairment provision. Because of the significance of these judgements and the materiality of trade receivables, the audit of trade receivables impairment provision is a key area of focus.	We reviewed and challenged the information used to determine the provision for impairment of trade receivable by considering the cash collection performance against historical trends and the level of change in the provision over time. Specifically we reviewed the history of slow paying customers using data analytics to understand the collection of previously aged receivables. We also tested the key controls relating to the production of the data used in the ageing report and agreed on samples, this data back to its source.
Allowance for slow moving inventories Note 7 to the consolidated financial statements discloses various types of inventories that are reported at the lower of cost of net realizable value. Assessing net realizable value of inventory is an area of significant judgement, in particular with regard to the estimation of allowance for slow-moving and obsolete inventory. The management has relied upon their experience, physical verification, operational condition and understanding of the nature and use of spare parts, and has accordingly made estimations for allowance for slow moving and obsolete inventory. Since significant judgement is involved in assessing the required allowance, we have identified this as a key area of focus.	Our procedures to test the management estimate of allowance for slow-moving and obsolete inventory included the following: • Held meetings with management to understand the procedures undertaken by them as part of the inventory review and assessment of allowance for slow moving and obsolete items. • Verified the physical existence and good condition of a randomly selected representative sample of the inventory. • Tested the valuation of yearend inventory, including challenging judgements taken regarding obsolescence and net realizable value provisions.

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INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

The Board of Directors and management is responsible for the other information. The other information comprises the annual report of the Group. We obtained Directors' report prior to the date of this auditor's report and the remaining information of the annual report is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provision of UAE Federal Law No. (2) of 2015, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and Audit Committee are responsible for overseeing the Group's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Group;

v) as disclosed in note 6 to the consolidated financial statements the Group has purchased or invested in shares during the financial year ended 31 December 2016;

vi) note 20 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2016; and

viii) note 26 reflects the social contributions were made during the year ended 31 December 2016.

Deloitte & Touche (M.E.)

Signed by:
Samir Madbak
Registration No. 386
25 February 2017
Sharjah, United Arab Emirates

Consolidated statement of financial position
at 31 December 2016

	Notes	2016 AED	2015 AED
ASSETS			
Non current assets			
Property, plant and equipment	5	**605,846,861**	551,401,086
Investments carried at fair value through other comprehensive income (FVTOCI)	6	**318,543,309**	329,662,666
Total non-current assets		**924,390,170**	881,063,752
Current assets			
Inventories	7	**106,731,012**	111,627,248
Trade and other receivables	8	**90,624,757**	90,659,829
Investments carried at fair value through profit or loss (FVTPL)	6	**53,303,619**	51,929,323
Bank balances and cash	9	**40,572,429**	5,762,472
Total current assets		**291,231,817**	259,978,872
Total assets		**1,215,621,987**	1,141,042,624
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	**500,157,000**	500,157,000
Reserves	11	**201,697,354**	193,256,774
Cumulative changes in fair value (FVTOCI)		**64,348,546**	73,210,365
Retained earnings		**78,077,716**	80,400,833
Total equity		**844,280,616**	847,024,972
Non-current liabilities			
Provision for employees' end of service indemnity	12	**8,702,681**	10,222,065
Finance lease liability	13	**-**	1,804,911
Bank borrowings	14	**198,361,484**	119,984,455
Total non-current liabilities		**207,064,165**	132,011,431
Current liabilities			
Finance lease liability	13	**1,804,911**	10,593,045
Bank borrowings	14	**48,284,000**	43,875,774
Trade and other payables	15	**114,188,295**	107,537,402
Total current liabilities		**164,277,206**	162,006,221
Total liabilities		**371,341,371**	294,017,652
Total equity and liabilities		**1,215,621,987**	1,141,042,624

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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 2016

	Notes	2016 AED	2015 AED
Revenue	16	**307,043,198**	335,174,306
Cost of sales	17	**(242,971,919)**	(283,769,435)
Gross profit		**64,071,279**	51,404,871
Selling, general and administrative expenses		**(29,279,265)**	(33,242,654)
Investment income	18	**10,831,047**	555,620
Other income		**1,874,958**	1,298,957
Finance costs		**(5,295,119)**	(4,480,213)
Profit for the year		**42,202,900**	15,536,581
Basic earnings per share	19	**0.08**	0.03

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

Consolidated statement of comprehensive income for the year ended 31 December 2016

	2016 AED	2015 AED
Profit for the year	**42,202,900**	15,536,581
Other comprehensive loss		
Items that will not be reclassified subsequently to profit or loss		
Decrease in fair value of investments carried at FVTOCI	**(8,861,819)**	(79,540,284)
(Loss)/gain on disposal of investments carried at FVTOCI	**(74,447)**	41,822,846
Board of Directors' remuneration	**(1,000,000)**	-
Other comprehensive loss for the year	**(9,936,266)**	(37,717,438)
Total comprehensive income/(loss) for the year	**32,266,634**	(22,180,857)

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

Consolidated statement of changes in equity
for the year ended 31 December 2016

	Share capital AED	Reserves AED	Cumulative changes in fair value (FVTOCI) AED	Retained earnings AED	Total AED
Balance at 31 December 2014	490,350,000	190,149,458	152,750,649	60,473,222	893,723,329
Profit for the year	-	-	-	15,536,581	15,536,581
Other comprehensive loss	-	-	(79,540,284)	41,822,846	(37,717,438)
Total comprehensive loss for the year	-	-	(79,540,284)	57,359,427	(22,180,857)
Dividends paid	-	-	-	(24,517,500)	(24,517,500)
Bonus shares issued during the year	9,807,000	-	-	(9,807,000)	-
Transfer to statutory and voluntary reserve (Note 11)	-	3,107,316	-	(3,107,316)	-
	9,807,000	3,107,316	-	(37,431,816)	(24,517,500)
Balance at 31 December 2015	500,157,000	193,256,774	73,210,365	80,400,833	847,024,972

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

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

Consolidated statement of changes in equity for the year ended 31 December 2016 (continued)

	Share capital AED	Reserves AED	Cumulative changes in fair value (FVTOCI) AED	Retained earnings AED	Total AED
Balance at 31 December 2015	500,157,000	193,256,774	73,210,365	80,400,833	847,024,972
Profit for the year	-	-	-	42,202,900	42,202,900
Other comprehensive loss	-	-	(8,861,819)	(1,074,447)	(9,936,266)
Total comprehensive income for the year	-	-	(8,861,819)	41,128,453	32,266,634
Dividends paid (Note 21)	-	-	-	(35,010,990)	(35,010,990)
Transfer to statutory and voluntary reserve (Note 11)	-	8,440,580	-	(8,440,580)	-
	-	8,440,580	-	(43,451,570)	(35,010,990)
Balance at 31 December 2016	**500,157,000**	**201,697,354**	**64,348,546**	**78,077,716**	**844,280,616**

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

Consolidated statement of cash flows
for the year ended 31 December 2016

	2016 AED	2015 AED
Cash flows from operating activities		
Profit for the year	**42,202,900**	15,536,581
Adjustments for:		
Depreciation of property, plant and equipment	**31,708,363**	32,111,447
Gain on disposal of property, plant and equipment	**(326,703)**	(35,999)
Provision for employees' end of service indemnity	**1,015,849**	1,494,414
Unrealised (gain)/loss on investment at FVTPL	**(2,197,746)**	11,693,246
Investment income	**(8,633,301)**	(12,248,866)
Finance costs	**5,295,119**	4,480,213
Operating cash flows before changes in operating assets and liabilities	**69,064,481**	53,031,036
Decrease in trade and other receivables	**35,072**	10,906,954
Decrease/(increase) in inventories	**4,896,236**	(22,587,139)
Increase/(decrease) in trade and other payables	**4,386,434**	(12,851,238)
Cash generated from operations	**78,382,223**	28,499,613
Employees' end of service indemnity paid	**(2,535,233)**	(1,820,132)
Finance cost paid	**(4,891,282)**	(3,118,422)
Net cash generated by operating activities	**70,955,708**	23,561,059

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

Consolidated statement of cash flows
for the year ended 31 December 2016 (continued)

	2016 AED	2015 AED
Cash flows from investing activities		
Purchase of property, plant and equipment	**(86,331,332)**	(28,741,196)
Proceeds on disposal of property, plant and equipment	**503,897**	9,999,576
Dividend received	**12,229,999**	14,870,543
Purchase of investments in securities	**(17,611,344)**	(78,516,557)
Proceeds on disposal of investments in securities	**17,007,445**	130,300,234
Interest received	**13,742**	25,262
Net cash (used in)/generated from investing activities	**(74,187,593)**	47,937,862
Cash flows from financing activities		
Board of Directors' remuneration paid	**(1,000,000)**	-
Repayment of finance lease liability	**(10,593,045)**	(10,198,675)
Decrease in bank overdraft	**(4,905,598)**	(68,069,609)
Term loan obtained	**124,731,599**	149,091,600
Repayment of bank borrowings	**(37,040,746)**	(128,099,875)
Dividends paid	**(33,150,368)**	(23,751,679)
Net cash generated from/(used in) financing activities	**38,041,842**	(81,028,238)
Net increase/(decrease) in cash and cash equivalents	**34,809,957**	(9,529,317)
Cash and cash equivalents at the beginning of the year	**5,762,472**	15,291,789
Cash and cash equivalents at the end of the year (see Note 9)	**40,572,429**	5,762,472

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

Notes to the consolidated financial statements
for the year ended 31 December 2016

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 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 2016, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 *Regulatory Deferral Accounts.*
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative.
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*: Bearer Plants.
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities.
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

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

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	**Effective for annual periods beginning on or after**
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28.	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017
Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses.	1 January 2017
Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018

**Notes to the consolidated financial statements
for the year ended 31 December 2016 (continued)**

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
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 amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	1 January 2018
Amendments to IFRS 4: Insurance Contracts which introduces the overlay approach and deferral approach towards implementing IFRS 9 before implementing the replacement standard that the IASB Board is developing for IFRS 4	When IFRS 9 is first applied or 1 January 2021 under deferral approach.
IFRS 15 *Revenue from Contracts with Customers* In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.	1 January 2018

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
IFRS 15 *Revenue from Contracts with Customers* (continued)	
The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	
Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1 January 2018
Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 *Leases*	1 January 2019
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for finalised version of IFRS 9, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

The application of finalised version of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect Group's consolidated financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards 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) and applicable requirements of the UAE Federal Law No. (2) of 2015.

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.

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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.

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.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Subsidiaries:

Details of the Company's subsidiaries at 31 December 2016 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.

3.4 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.

3. Significant accounting policies (continued)

3.4 Business combinations (continued)

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.

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.

3. Significant accounting policies (continued)

3.5 Goodwill (continued)

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.

3.6.1 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.

3.6.2 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.

**Notes to the consolidated financial statements
for the year ended 31 December 2016 (continued)**

3. Significant accounting policies (continued)

3.7 Leasing (continued)

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.

3.9 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

3.10.1 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.

3. Significant accounting policies (continued)

3.10 Employee benefits (continued)

3.10.2 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.

3.10.3 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 under 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.

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. Significant accounting policies (continued)

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.

3.13 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. Significant accounting policies (continued)

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.

Financial assets of the Group are classified into the following specified categories: cash and cash equivalents, 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.

**Notes to the consolidated financial statements
for the year ended 31 December 2016 (continued)**

3. Significant accounting policies (continued)

3.16 Financial assets (continued)

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.

3.16.3 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. Significant accounting policies (continued)

3.16 Financial assets (continued)

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.

3.16.6 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. Significant accounting policies (continued)

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

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 as it is deemed immaterial.

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.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

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 2014	52,081,405	561,258,260	13,869,046	31,876,118	2,139,009	34,170,016	695,393,854
Additions	120,000	2,646,043	245,834	194,486	65,444	25,469,389	28,741,196
Disposals	(9,963,576)	-	-	(150,000)	-	-	(10,113,576)
Transfers	6,374,465	7,281,398	-	-	-	(13,655,863)	-
At 31 December 2015	48,612,294	571,185,701	14,114,880	31,920,604	2,204,453	45,983,542	714,021,474
Additions	620,698	4,008,230	196,400	-	805,139	80,700,865	86,331,332
Disposals	-	-	-	(1,036,511)	-	-	(1,036,511)
Transfers	-	1,533,308	-	-	-	(1,533,308)	-
At 31 December 2016	**49,232,992**	**576,727,239**	**14,311,280**	**30,884,093**	**3,009,592**	**125,151,099**	**799,316,295**
Accumulated depreciation							
At 31 December 2014	5,141,774	96,476,641	8,818,010	18,602,735	1,619,780	-	130,658,940
Charge for the year	1,257,327	26,833,331	899,380	2,901,089	220,320	-	32,111,447
Eliminated on disposals	-	-	-	(149,999)	-	-	(149,999)
At 31 December 2015	6,399,101	123,309,972	9,717,390	21,353,825	1,840,100	-	162,620,388
Charge for the year	1,528,806	26,761,419	703,979	2,542,639	171,520	-	31,708,363
Eliminated on disposals	-	-	-	(859,317)	-	-	(859,317)
At 31 December 2016	**7,927,907**	**150,071,391**	**10,421,369**	**23,037,147**	**2,011,620**	-	**193,469,434**
Carrying amount							
At 31 December 2016	**41,305,085**	**426,655,848**	**3,889,911**	**7,846,946**	**997,972**	**125,151,099**	**605,846,861**
At 31 December 2015	42,213,193	447,875,729	4,397,490	10,566,779	364,353	45,983,542	551,401,086

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

5. Property, plant and equipment (continued)

At 31 December 2016, the cost of fully depreciated property, plant and equipment that was still in use amounted to AED 34,346,599 (2015: AED 22,226,574).

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

Property, plant and equipment having a carrying amount of AED 77.63 million (2015: AED 24.49 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 1,817,612 have been capitalised during the current year (2015: AED 1,839,173).

6. Investments in securities

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

	2016 AED	2015 AED
Quoted – at fair value	**309,833,384**	321,452,741
Unquoted – at fair value	**8,709,925**	8,209,925
	318,543,309	329,662,666
In U.A.E.	**259,062,855**	261,810,303
In other GCC countries	**52,820,529**	61,692,438
In other countries	**6,659,925**	6,159,925
	318,543,309	329,662,666

**Notes to the consolidated financial statements
for the year ended 31 December 2016 (continued)**

6. Investments in securities (continued)

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

	2016 AED	2015 AED
Quoted – at fair value	**53,303,619**	51,929,323
In U.A.E	**42,611,458**	40,843,862
In other GCC countries	**10,692,161**	11,085,461
	53,303,619	51,929,323

Movements in investments were as follows:

	2016 AED	2015 AED
Fair value at the beginning of the year	**381,591,989**	485,433,289
Purchased during the year	**17,611,344**	78,516,557
Disposal during the year	**(20,692,332)**	(91,124,327)
Decrease in fair value of investments carried at FVTOCI	**(8,861,819)**	(79,540,284)
Unrealised gain/(loss) on investments carried at FVTPL	**2,197,746**	(11,693,246)
	371,846,928	381,591,989

Investment in securities with a fair value of AED 277,578,455 (2015: AED 284,422,303) are pledged to the bank against credit facilities granted to the Group (Note 14).

7. Inventories

	2016 AED	2015 AED
Finished goods	**11,652,819**	12,680,447
Raw materials	**3,306,844**	9,392,655
Work in progress	**62,654,353**	63,532,169
Bags, fuel and lubricants	**7,238,000**	6,645,555
	84,852,016	92,250,826
Spare parts - maintenance department	**28,750,232**	26,244,708
Allowance for slow-moving inventories	**(6,889,633)**	(6,889,633)
	21,860,599	19,355,075
Goods in transit	**18,397**	21,347
	106,731,012	111,627,248

8. Trade and other receivables

	2016 AED	2015 AED
Trade receivables	**86,202,264**	80,776,716
Allowance for doubtful debts	**(2,265,110)**	(2,291,607)
	83,937,154	78,485,109
Advances to suppliers	**4,445,871**	9,565,274
Prepaid expenses and other receivables	**2,241,732**	2,609,446
	90,624,757	90,659,829

Analysis of trade receivables are set out below:

	2016 AED	2015 AED
Secured against unconditional bank guarantees	**31,184,660**	27,778,016
Secured against letters of credit	**6,664,810**	317,412
Open Credit	**48,352,794**	52,681,288
	86,202,264	80,776,716

8. **Trade and other receivables** (continued)

The average credit period on sales of goods is 120 days (2015: 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 an amount of AED 26 million (2015: AED 42 million) is due from the Group's largest customer. There are 2 (2015: 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 18.96 million (2015: AED 10.60 million) which are past due at the reporting date for which the Group has not provided any allowance for doubtful debts 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:

	2016 AED	2015 AED
Balance at the beginning of the year	**2,291,607**	3,593,874
Amounts written off during the year	**(26,497)**	(1,302,267)
Balance at the end of the year	**2,265,110**	2,291,607

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 allowance is required.

9. Bank balances and cash

	2016 AED	2015 AED
Cash on hand	**203,171**	488,498
Portfolio accounts	**1,810,399**	1,620,228
	2,013,570	2,108,726
Bank balances:		
Current accounts	**9,680,863**	1,923,786
Call deposits	**10,697,996**	1,729,960
Fixed deposits	**18,180,000**	-
	38,558,859	3,653,746
Cash and cash equivalents	**40,572,429**	5,762,472
Bank balances and cash:		
In U.A.E.	**37,592,328**	2,218,458
In other GCC countries	**2,980,101**	3,544,014
	40,572,429	5,762,472

10. Share capital

	2016 AED	2015 AED
Issued and fully paid: 500,157,000 ordinary shares of AED 1 each (31 December 2015: 500,157,000 ordinary shares of AED 1 each)	**500,157,000**	500,157,000

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

11. Reserves

In accordance with the United Arab Emirates Federal Law No. (2) of 2015 and the Company's Articles of Association, 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 is suspended when its balance 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 2014	99,381,271	90,768,187	190,149,458
Movement during the year	1,553,658	1,553,658	3,107,316
Balance at 31 December 2015	100,934,929	92,321,845	193,256,774
Movement during the year	4,220,290	4,220,290	8,440,580
Balance at 31 December 2016	**105,155,219**	**96,542,135**	**201,697,354**

12. Provision for employees' end of service indemnity

Movements in the net liability were as follows:

	2016 AED	2015 AED
Balance at the beginning of the year	**10,222,065**	10,547,783
Amounts charged to income during the year	**1,015,849**	1,494,414
Amounts paid during the year	**(2,535,233)**	(1,820,132)
Balance at the end of the year	**8,702,681**	10,222,065

Notes to the consolidated financial statements
for the year ended 31 December 2016 (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**	
	2016 AED	2015 AED	**2016 AED**	2015 AED
Due within one year	**1,813,488**	10,880,936	**1,804,911**	10,593,045
Due in the second through fifth year	-	1,813,488	-	1,804,911
	1,813,488	12,694,424	**1,804,911**	12,397,956
Less: Future finance costs	**(8,577)**	(296,468)	-	-
	1,804,911	12,397,956	**1,804,911**	12,397,956

Included in the consolidated financial statements as:

	2016 AED	2015 AED
Current portion of finance lease liability	**1,804,911**	10,593,045
Non-current portion of finance lease liability	-	1,804,911
	1,804,911	12,397,956

14. Bank borrowings

	2016 AED	2015 AED
Bank overdraft	-	4,905,598
Loans	**246,645,484**	158,954,631
	246,645,484	163,860,229
Bank borrowings are repayable as follows:		
Within one year	**48,284,000**	43,875,774
In second to fifth year	**163,959,199**	119,984,455
After five years	**34,402,285**	-
	246,645,484	163,860,229
Less: Amount due for settlement within 12 months from the reporting date (shown under current liabilities)	**(48,284,000)**	(43,875,774)
Amount due for settlement after 12 months from the reporting date (shown under non-current liabilities)	**198,361,484**	119,984,455

- The Bank overdraft bears interest at 3 month EIBOR prevailing on the first working day of each month plus applicable margin of 2.25%.

- Long term loans include the following:

a) An amount of AED 80,000,000 was obtained to finance 80% of value of installation and erection of the new pet coke conversion project and carries interest at 3 month EIBOR plus 2% margin. The loan will be repaid in 5 years on a quarterly installment, with a grace period of 1 year that commenced on 30 June 2015. As at 31 December 2016 the outstanding amount of the loan amounted to AED 70,823,199 (2015: AED 12,091,600).

b) An amount of AED 225,000,000 was obtained to convert outstanding short term liabilities and suppliers' dues into medium term finance and carries interest at 3 month EIBOR plus 1.7% margin. The loan will be repaid in 8 years on a quarterly installment, with a grace period of 1 year that commenced on 25 Feb 2015. As at 31 December 2016 the outstanding amount of the loan amounted to AED 175,822,285 (2015: AED 137,000,000).

c) An amount of AED 50,000,000 was obtained to convert the outstanding short term liabilities into medium term finance and to improve liquidity and carries interest at 3 months EIBOR 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. As at 31 December 2016 the outstanding amount of the loan amounted to AED Nil (2015: AED 9,863,031).

14. Bank borrowings (continued)

Property, plant and equipment items having a carrying amount of AED 77.63 million (2015: AED 24.49 million) are 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. In addition, bank borrowings are secured by a pledge over investments in securities with a fair value of AED 277,578,455 (2015: AED 284,422,803).

15. Trade and other payables

	2016 AED	2015 AED
Trade payables	**28,764,912**	31,205,660
Dividend payable	**40,075,922**	38,215,300
Advances from customers	**1,387,124**	1,728,921
Accrued expenses and other payables	**43,960,337**	36,387,521
	114,188,295	107,537,402

The average credit period on purchase of goods is 90 days (2015: 90 days). The Group has financial risk management policies in place to ensure that all payables are paid within credit period time frame.

16. Revenue

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

	2016 AED	2015 AED
Local sales	**119,750,929**	106,239,880
Export sales	**187,292,269**	228,934,426
	307,043,198	335,174,306

Revenue includes AED 119.75 million - 39% from 4 customers (2015: AED 148.63 million – 44%, from 4 customers).

17. Cost of sales

	2016 AED	2015 AED
Raw material used in production	**47,708,953**	47,015,166
Spare parts and consumables used in production	**8,827,836**	9,899,670
Fuel, electricity and water	**111,218,740**	178,102,467
Payroll and related expenses	**25,002,414**	25,740,114
Other direct operating expenses	**17,217,989**	13,855,631
Depreciation of property, plant and equipment	**31,090,543**	31,450,149
Total manufacturing costs	**241,066,475**	306,063,197
Decrease/(increase) in inventory of finished and semi-finished goods	**1,905,444**	(22,293,762)
	242,971,919	283,769,435

18. Investment income

	2016 AED	2015 AED
Unrealised gain/(loss) on revaluation of investments carried at FVTPL	**2,197,746**	(11,693,246)
Dividend income	**12,229,999**	14,870,543
Interest income	**13,742**	25,262
Realised loss on sale of investments carried at FVTPL	**(3,610,440)**	(2,646,939)
	10,831,047	555,620

19. Basic earnings per share

	2016	2015
Profit for the year (in AED)	**42,202,900**	15,536,581
Number of shares	**500,157,000**	500,157,000
Basic earnings per share (in AED)	**0.08**	0.03

Notes to the consolidated financial statements
for the year ended 31 December 2016 (continued)

19. Basic earnings per share (continued)

There were no potentially dilutive shares as at 31 December 2016 and 31 December 2015.

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.

During the year ended 31 December 2016, there were no transactions with related parties other than the below disclosed transactions (2015: Nil).

Compensation of key management personnel:

	2016 AED	2015 AED
Board of Directors' remuneration	**1,000,000**	-
Directors fees	-	375,000
Short term benefits	**840,528**	815,598

21. Dividends

At the Board meeting held on 25 February 2017, the Board of Directors proposed a cash dividend of 7.5% amounting to AED 37.5 million in respect of the year ended 31 December 2016 (2015: cash dividend 7% amounting to AED 35.01 million). It has also been proposed that the Board of Directors' remunerations for the year ended 31 December 2016 to be AED 2.2 million (2015: AED 1,000,000).

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

	2016 AED	2015 AED
Letters of credit	**9,677,843**	56,518,000
Letters of guarantee	**66,700**	36,700
Commitments for the acquisition of property, plant and equipment	**6,544,875**	12,138,823

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. Financial instruments (continued)

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

	2016 **AED**	2015 AED
Financial assets		
At amortised cost	**125,260,028**	85,433,819
At fair value	**371,846,928**	381,591,989
	497,106,956	467,025,808
Financial liabilities		
At amortised cost	**361,251,566**	282,066,666

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.

**Notes to the consolidated financial statements
for the year ended 31 December 2016 (continued)**

24. Financial instruments (continued)

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	
	2016	2015	**2016**	2015
	AED	AED	**AED**	AED
US Dollars	**658,736**	7,853,554	**31,360,321**	7,882,135
Kuwaiti Dinar	-	-	**52,909,839**	66,830,750
Euro	**142,462**	-	-	-
JPY	**41,446**	139,649	**346,610**	-
SAR	**175,382**	35,382	**7,704,521**	7,632,825
QAR	-	-	**4,749,411**	4,675,506
GBP	**1,854**	-	-	-

24.5 Foreign currency sensitivity analysis

The Group is mainly exposed to United States Dollars (USD), Kuwaiti Dinar, Saudi Riyal and Qatari Riyal. Based on the sensitivity analysis to a 10% increase or decrease in the AED against Kuwaiti Dinar, Saudi Riyal and Qatari Riyal the Group's profit for the year ended 31 December 2016 and equity as of and 31 December 2016 would have increased or decreased by approximately AED 6.51 million (2015: AED 7.8 million). There is no impact on USD because of dollar peg and no material exposure against Euro, GBP and Japanese Yen. 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.

24.6 Interest rate risk management

The Group's exposure to interest rate risk is limited to fixed deposits and 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 2016 bank fixed and call deposits carried an interest rate in the range of 0.30% to 0.50% per annum (31 December 2015: 0.3% to 0.5% per annum) and bank loans carried an interest rate in the range of 2.45% to 3.80% per annum (31 December 2015: 3.2% 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 2016 and equity as at 31 December 2016 would have decreased/increased by approximately AED 1.20 million (2015: decrease/increase by AED 0.86 million).

24. Financial instruments (continued)

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 37.85 million (2015: AED 28.1 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:

	2016 **AED**	2015 AED
United Arab Emirates	**29,010,841**	20,550,867
Other Gulf Cooperation Council countries	**47,626,686**	55,479,061
Other countries	**9,564,737**	4,746,788
	86,202,264	80,776,716

At the reporting date, 4 customers accounted for 70% of total outstanding trade receivables (2015: 4 customers, 67%).

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

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.

Notes to the consolidated financial statements
for the year ended 31 December 2016 (continued)

24. Financial instruments (continued)

24.8 Liquidity risk management (continued)

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 2016

	Less than 30 days	31-120 days	121-360 days	After 360 days	Total
	AED	AED	AED	AED	AED
Financial assets					
Investments at FVTOCI	-	-	-	318,543,309	318,543,309
Trade and other receivables	15,614,443	49,104,422	19,968,734	-	84,687,599
Investments at FVTPL	53,303,619	-	-	-	53,303,619
Bank balances and cash	40,572,429	-	-	-	40,572,429
	109,490,491	49,104,422	19,968,734	318,543,309	497,106,956
Financial liabilities					
Trade and other payables	50,787,821	26,936,632	35,076,718	-	112,801,171
Finance lease liability	1,804,911	-	-	-	1,804,911
Bank borrowings	5,000,000	12,071,000	31,213,000	198,361,484	246,645,484
	57,592,732	39,007,632	66,289,718	198,361,484	361,251,566

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

24. Financial instruments (continued)

24.8 Liquidity risk management (continued)

31 December 2015

	Less than 30 days	31-120 days	121-360 days	After 360 days	Total
	AED	AED	AED	AED	AED
Financial assets					
Investments at FVTOCI	-	-	-	329,662,666	329,662,666
Trade and other receivables	20,442,802	48,626,146	10,602,399	-	79,671,347
Investments at FVTPL	51,929,323	-	-	-	51,929,323
Bank balances and cash	5,762,472	-	-	-	5,762,472
	78,134,597	48,626,146	10,602,399	329,662,666	467,025,808
Financial liabilities					
Trade and other payables	74,602,821	31,205,660	-	-	105,808,481
Finance lease liability	907,031	2,428,623	7,257,391	1,804,911	12,397,956
Bank borrowings	3,677,804	11,090,825	29,107,145	119,984,455	163,860,229
	79,187,656	44,725,108	36,364,536	121,789,366	282,066,666

24.9 Equity price risk

Sensitivity analysis

At the reporting date if the equity prices are 20% 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 10.7 million and by AED 63.7 million respectively (2015: AED 10.4 million and by AED 65.9 million respectively).

**Notes to the consolidated financial statements
for the year ended 31 December 2016 (continued)**

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 20% 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 20% 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 2015.

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 2016 (continued)

24. Financial instruments (continued)

24.11 Fair value measurements (continued)

Financial assets	Fair value as at 31 December 2016 AED	31 December 2015 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	**309,833,384**	321,452,741	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	**8,709,925**	8,209,925	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	**53,303,619**	51,929,323	Level 1	Quoted bid prices in an active market.	None	N/A

Fair value measurements recognised in the consolidated 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 2016

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTOCI				
Quoted equities	**309,833,384**	-	-	**309,833,384**
Unquoted equities	-	-	**8,709,925**	**8,709,925**
Financial assets at FVTPL				
Quoted equities	**53,303,619**	-	-	**53,303,619**
	363,137,003	-	**8,709,925**	**371,846,928**

31 December 2015

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTOCI				
Quoted equities	321,452,741	-	-	321,452,741
Unquoted equities	-	-	8,209,925	8,209,925
Financial assets at FVTPL				
Quoted equities	51,929,323	-	-	51,929,323
	373,382,064	-	8,209,925	381,591,989

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.

The movement in the level 3 financial assets was due to change in fair value of investments classified as FVTOCI.

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 2016 (continued)

25. Segment information (continued)

	2016			2015		
	Manufacturing AED	**Investments AED**	**Total AED**	Manufacturing AED	Investments AED	Total AED
Segment revenue	**307,043,198**	**-**	**307,043,198**	335,174,306	-	335,174,306
Segment result	**31,371,853**	**10,831,047**	**42,202,900**	14,980,961	555,620	15,536,581
Segment assets	**803,202,630**	**402,535,323**	**1,205,737,953**	753,688,163	384,942,177	1,138,630,340
Unallocated assets	**-**	**-**	**9,884,034**	-	-	2,412,284
Total assets			**1,215,621,987**			1,141,042,624
Segment liabilities	**371,341,371**	**-**	**371,341,371**	294,017,652	-	294,017,652

There are no transactions between the business segments.

26. Social contributions

The social contributions (including donations and charity) made during the year amounted to AED 484,026 (2015: AED 391,930).

27. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 25 February 2017.