

UNION CEMENT COMPANY (PSC) AND SUBSIDIARY

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

UNION CEMENT COMPANY (PSC) AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Union Cement Company (PSC) and Subsidiary
Ras Al Khaimah
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Union Cement Company (PSC) (the “Company”) (a Public Shareholding Company) and its Subsidiary (together the “Group”) - Ras Al Khaimah, United Arab Emirates** which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Cont'd...

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Union Cement Company (PSC) and its Subsidiary - Ras Al Khaimah, United Arab Emirates** as at 31 December 2014, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche (M.E.)



Samir Madbak
Registration No. 386
12 February 2015

**Consolidated statement of financial position
at 31 December 2014**

	Notes	2014 AED '000	2013 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	845,324	887,657
Investments carried at fair value through other comprehensive income (FVTOCI)	6	133,889	141,361
Trade and other receivables	7	4,233	7,894
Total non-current assets		983,446	1,036,912
Current assets			
Inventories	8	132,694	127,047
Trade and other receivables	7	107,667	105,192
Due from a related party	9	15,995	16,807
Bank balances and cash	10	137,144	121,912
Total current assets		393,500	370,958
Total assets		1,376,946	1,407,870
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	669,438	669,438
Reserves	12	338,204	322,984
Cumulative changes in fair value		(33,139)	(25,667)
Retained earnings		296,051	288,728
Equity attributable to the Shareholders of the Company		1,270,554	1,255,483
Non-controlling interest		1,500	1,500
Total equity		1,272,054	1,256,983

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

**Consolidated statement of financial position
at 31 December 2014 (continued)**

	Notes	2014 AED '000	2013 AED '000
Non-current liabilities			
Provision for employees' end of service indemnity	13	10,821	11,315
Bank borrowings	14	-	10,098
Total non-current liabilities		10,821	21,413
Current liabilities			
Trade and other payables	15	83,201	89,474
Bank borrowings	14	10,870	40,000
Total current liabilities		94,071	129,474
Total liabilities		104,892	150,887
Total equity and liabilities		1,376,946	1,407,870



Taleb Bin Saqr Al Qassimi
Chairman

Rami Bin Khalid Bin Abdalla
Al Qassimi
Vice Chairman

Yassir Bin Ahmad Bin
Humaid Al Qassimi
General Manager

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

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

	Notes	2014 AED '000	2013 AED '000
Revenue	16	548,322	528,057
Cost of sales	17	<u>(417,836)</u>	<u>(424,643)</u>
Gross profit		130,486	103,414
Selling, general and administrative expenses	18	(59,179)	(59,898)
Investment income	19	7,651	5,198
Other income	20	6,766	3,560
Finance costs		<u>(882)</u>	<u>(1,406)</u>
Profit for the year		84,842	50,868
Attributable to:			
Equity Shareholders of the Company		76,098	40,810
Non-controlling interest		<u>8,744</u>	<u>10,058</u>
		84,842	50,868
Basic earnings per share (in AED)	21	0.11	0.06

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

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

	Note	2014 AED '000	2013 AED '000
Profit for the year		84,842	50,868
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
(Decrease)/increase in fair value of investments carried at FVTOCI	6	(7,472)	20,914
Board of Directors' remuneration		-	(540)
Gain on sale of investments carried at FVTOCI		-	248
Other comprehensive (loss)/gain for the year		(7,472)	20,622
Total comprehensive income for the year		77,370	71,490
Attributable to:			
Equity Shareholders of the Company		68,626	61,432
Non-controlling interest		8,744	10,058
		77,370	71,490

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

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

	Share capital AED '000	Reserves AED '000	Cumulative changes in fair value AED '000	Retained earnings AED '000	Attributable to Shareholders of the Company AED '000	Non- controlling interest AED '000	Total AED '000
Balance at 31 December 2012	669,438	314,822	(56,735)	326,775	1,254,300	1,500	1,255,800
Profit for the year	-	-	-	40,810	40,810	10,058	50,868
Other comprehensive income for the year	-	-	20,914	(292)	20,622	-	20,622
Total comprehensive income for the year	-	-	20,914	40,518	61,432	10,058	71,490
Transfer to retained earnings on sale of investments carried at FVTOCI	-	-	10,154	(10,154)	-	-	-
Transfer to reserves	-	8,162	-	(8,162)	-	-	-
Dividend distributions (Note 22)	-	-	-	(60,249)	(60,249)	(10,058)	(70,307)
Balance at 31 December 2013	669,438	322,984	(25,667)	288,728	1,255,483	1,500	1,256,983
Profit for the year	-	-	-	76,098	76,098	8,744	84,842
Other comprehensive loss for the year	-	-	(7,472)	-	(7,472)	-	(7,472)
Total comprehensive income for the year	-	-	(7,472)	76,098	68,626	8,744	77,370
Transfer to reserves (Note 12)	-	15,220	-	(15,220)	-	-	-
Dividend distributions (Note 22)	-	-	-	(53,555)	(53,555)	(8,744)	(62,299)
Balance at 31 December 2014	669,438	338,204	(33,139)	296,051	1,270,554	1,500	1,272,054

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

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

	2014 AED '000	2013 AED '000
Cash flows from operating activities		
Profit for the year	84,842	50,868
Adjustments for:		
Depreciation of property, plant and equipment	54,336	55,556
Gain on disposal of property, plant and equipment	(38)	(2,127)
Provision for employees' end of service indemnity	1,377	1,806
Reversal of provision for employees' end of service indemnity	(121)	-
Investment income	(7,651)	(5,198)
Finance costs	882	1,406
	<hr/>	<hr/>
Operating cash flows before changes in operating assets and liabilities	133,627	102,311
Decrease/(increase) in trade and other receivables	1,186	(7,015)
Decrease in due from a related party	812	11,370
(Increase)/decrease in inventories	(5,647)	21,225
(Decrease)/increase in trade and other payables	(6,870)	3,761
	<hr/>	<hr/>
Cash generated from operations	123,108	131,652
Employees' end of service indemnity paid	(1,750)	(612)
Interest paid	(882)	(1,406)
	<hr/>	<hr/>
Net cash generated from operating activities	120,476	129,634
	<hr/>	<hr/>

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

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

	2014	2013
	AED '000	AED '000
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,003)	(23,916)
Proceeds from disposal of property, plant and equipment	38	8,058
Purchase of investments carried at fair value through other comprehensive income (FVTOCI)	-	(5,758)
Proceeds on disposal of investment carried at fair value through other comprehensive income (FVTOCI)	-	3,437
(Increase)/decrease in fixed deposits with maturity over three months	(9,641)	9,641
Dividends received	6,760	4,343
Interest received	891	855
	<hr/>	<hr/>
Net cash used in investing activities	(13,955)	(3,340)
	<hr/>	<hr/>
Cash flows from financing activities		
Board of directors' remuneration paid	-	(540)
Decrease in bank borrowings	(39,228)	(14,777)
Dividends paid	(61,702)	(71,869)
	<hr/>	<hr/>
Net cash used in financing activities	(100,930)	(87,186)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	5,591	39,108
Cash and cash equivalents at the beginning of the year	81,553	42,445
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year (Note 10)	87,144	81,553
	<hr/> <hr/>	<hr/> <hr/>

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

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

1. General information

Union Cement Company (PSC), Ras Al Khaimah (the "Company") was incorporated as a public shareholding company by Emiri decree number 12/72 of 1972 issued by His Highness, The Ruler of Ras Al Khaimah. The address of the Company's registered office is P. O. Box 170, Ras Al Khaimah, United Arab Emirates.

The Group comprises Union Cement Company (PSC) and its subsidiary (Note 3.4).

The principal activities of the Group are manufacturing of cement and wholesale and retail sale of cement and gypsum.

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

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

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

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

New and revised IFRSs

Effective for annual periods beginning on or after

- Amendments to IFRS 7 *Financial Instruments*: Disclosures relating to disclosures about the initial application of IFRS 9. When IFRS 9 is first applied

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> • IFRS 7 <i>Financial Instruments</i>: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. 	When IFRS 9 is first applied
<ul style="list-style-type: none"> • IFRS 9 Financial Instruments (2014) <p>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.</p> <p>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.</p> <p>A new impairment model based on expected credit losses will apply to debt instruments measured at amortized costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.</p>	1 January 2018
<ul style="list-style-type: none"> • IFRS 15 Revenue from Contracts with Customers <p>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.</p> <p>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:</p>	1 January 2017

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> • IFRS 15 Revenue from Contracts with Customers (continued) <ul style="list-style-type: none"> ▪ 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. <p>Under IFRS 15, an entity recognises revenue 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.</p>	1 January 2017
<ul style="list-style-type: none"> • Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34. 	1 January 2016
<ul style="list-style-type: none"> • Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization. 	1 January 2016
<ul style="list-style-type: none"> • Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations. 	1 January 2016
<ul style="list-style-type: none"> • Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16. 	1 January 2016
<ul style="list-style-type: none"> • Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business. 	1 January 2016

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

**2. Application of new and revised International Financial Reporting Standards (“IFRSs”)
(continued)**

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

New and revised IFRSs	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> • Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IFRS 9 or using the equity method in an entity’s separate financial statements. 	1 January 2016
<ul style="list-style-type: none"> • Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities. 	1 January 2016
<ul style="list-style-type: none"> • Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. 	1 January 2016
<ul style="list-style-type: none"> • Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24. 	1 July 2014
<ul style="list-style-type: none"> • Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40. 	1 July 2014
<ul style="list-style-type: none"> • Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. 	1 July 2014

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 (2014) and IFRS 15, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 (2014) will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2017 and 1 January 2018 respectively. The application of IFRS 15 and IFRS 9 (2014) may have significant impact on amounts reported and disclosures made in the Group’s consolidated financial statements in respect of revenue from contracts with customers and the Group’s 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.

**Notes to consolidated financial statements
for the year ended 31 December 2014 (continued)****3. Significant accounting policies****3.1 Statement of compliance**

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

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The amounts in the consolidated financial statements are rounded to nearest (“AED ‘000”) except when otherwise indicated.

The principal accounting policies adopted are set out below.

3.3 Basis of consolidation

The consolidated financial statements of Union Cement Company (PSC) and Subsidiary (the “Group”) incorporate the financial statements of the Company and the entity controlled by the Company (its Subsidiary).

Control is achieved when the Company:

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

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

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

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

- the size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company 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.

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

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company 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 comprehensive income from the date the Company gains control until the date when the Company 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.

3.4 Subsidiary:

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

<u>Name of subsidiary</u>	<u>Proportion of ownership interest</u>	<u>Country of incorporation</u>	<u>Principal activities</u>
Union Cement Norcem Company Limited L.L.C.	60%	U.A.E.	Marketing of oil well cement

3.5 Business combination

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.

**Notes to consolidated financial statements
for the year ended 31 December 2014 (continued)****3. Significant accounting policies (continued)****3.5 Business combination (continued)**

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

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

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

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

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.

3.6 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.

**Notes to consolidated financial statements
for the year ended 31 December 2014 (continued)****3. Significant accounting policies (continued)****3.6 Revenue recognition (continued)***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.

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 Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense on a straight line basis over the shorter of the lease term or the estimated useful life of the asset.

3.8 Foreign currencies

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). For the purpose of the consolidated financial statements, the results and consolidated financial position of the Group 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 consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recorded 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.

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

3. Significant accounting policies (continued)

3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3.10 Employee benefits

Defined contribution plan

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

Annual leave

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

Provision for employees' end of service indemnity

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 is disclosed as a current liability, while the provision relating to end of service indemnity is disclosed as a non-current liability.

3.11 Property, plant and equipment

Property, plant and equipment, except properties under construction, are stated at their cost, less any subsequent accumulated depreciation and any subsequent identified impairment losses.

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

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

3. Significant accounting policies (continued)

3.11 Property, plant and equipment (continued)

Depreciation is charged so as to write off the cost of assets, other than properties under construction, 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.

Maintenance, renewals and betterments which enhance the economic life of the asset its capacity, improving the quality of output or reducing substantially operating costs are capitalised.

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:

	<u>Years</u>
Building	15 – 35
Plant and machinery	5 – 25
Environment protection equipment	10 – 25
Motor vehicles	3 – 7
Other assets	4 - 5

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.

**Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)****3. Significant accounting policies (continued)****3.12 Impairment of tangible assets (continued)**

When 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.

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

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

3.14 Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.15 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.

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

3. Significant accounting policies (continued)

3.15 Financial assets (continued)

Financial assets of the Group are classified into the following specified categories: bank balances and cash, investments carried at fair value through other comprehensive income (FVTOCI) and 'loans and receivables'. 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.

3.15.1 Cash and cash equivalents

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

3.15.2 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.

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

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

3. Significant accounting policies (continued)

3.15 Financial assets (continued)

3.15.2 Financial assets at FVTOCI (continued)

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.

3.15.3 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.

3.15.4 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 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.

Subsequent to the adoption of IFRS 9, the Group's financial investments which are at FVTOCI are not assessed for impairment indicators.

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

3. Significant accounting policies (continued)

3.15 Financial assets (continued)

3.15.5 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.

3.16 Financial liabilities and equity instruments issued by the Group

3.16.1 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.

3.16.2 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.

3.16.3 Financial liabilities

Trade and other payables 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.

3.16.4 Derecognition of financial liabilities

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

3.17 Dividend distribution

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

**Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)****4. Critical accounting judgments and key sources of estimation uncertainty**

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

4.1 Critical judgments in applying accounting policies**4.1.1 Classification of investments in securities**

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 as it is deemed immaterial.

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

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

4.2 Key sources of estimation uncertainty (continued)

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 2014 (continued)**
5. Property, plant and equipment

	Buildings AED '000	Plant and machinery AED '000	Environment protection equipment AED '000	Motor vehicles AED '000	Other assets AED '000	Properties under construction AED '000	Total AED '000
<i>Cost</i>							
At 31 December 2012	144,974	1,568,244	52,282	30,257	3,575	121,503	1,920,835
Additions	17	10,133	5,350	29	120	8,267	23,916
Transfers	-	116,555	-	-	5,222	(121,777)	-
Disposals	-	(7,403)	-	(179)	-	-	(7,582)
At 31 December 2013	144,991	1,687,529	57,632	30,107	8,917	7,993	1,937,169
Additions	136	1,832	2,290	272	1,407	6,066	12,003
Transfers	-	12,600	-	-	33	(12,633)	-
Disposals	-	-	-	(165)	-	-	(165)
At 31 December 2014	145,127	1,701,961	59,922	30,214	10,357	1,426	1,949,007
<i>Accumulated depreciation</i>							
At 31 December 2012	123,295	804,557	35,296	29,719	2,740	-	995,607
Charge for the year	1,493	51,775	1,622	196	470	-	55,556
Eliminated on disposals	-	(1,608)	-	(43)	-	-	(1,651)
At 31 December 2013	124,788	854,724	36,918	29,872	3,210	-	1,049,512
Charge for the year	1,490	50,028	2,049	172	597	-	54,336
Eliminated on disposals	-	-	-	(165)	-	-	(165)
At 31 December 2014	126,278	904,752	38,967	29,879	3,807	-	1,103,683
<i>Carrying amount</i>							
At 31 December 2014	18,849	797,209	20,955	335	6,550	1,426	845,324
At 31 December 2013	20,203	832,805	20,714	235	5,707	7,993	887,657

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

5. Property, plant and equipment (continued)

At 31 December 2014, the cost of fully depreciated property, plant and equipment that was still in use amounted to AED 765 million (2013: AED 727 million).

All property, plant and equipment are located in U.A.E.

Property, plant and equipment having a carrying amount of AED 107 million (31 December 2013: AED 117 million) is mortgaged to a bank against credit facilities provided to the Group (Note 14).

Borrowing costs on funds specifically borrowed for obtaining the qualifying assets amounting to Nil this year (2013: AED 1.07 million) they were capitalised at the rate of 3.72% per annum in 2013.

Properties under construction represents expenditure incurred on project related to the construction of fuel storage.

The factory and its related buildings are constructed on plots of land granted by Government of Ras Al Khaimah for use of the Company for a period of 50 years as per the Emiri Decree number 1 of 1971 issued by H.H. the ruler of the Emirate of Ras Al Khaimah.

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

	2014 AED '000	2013 AED '000
Quoted – at fair value	103,009	89,807
Unquoted – at fair value	30,880	51,554
	<hr/> 133,889 <hr/>	<hr/> 141,361 <hr/>
In U.A.E.	<hr/> 133,889 <hr/>	<hr/> 141,361 <hr/>

Movements in investments carried at FVTOCI were as follows:

	2014 AED '000	2013 AED '000
Fair value of investments at the beginning of the year	141,361	117,878
Purchased during the year	-	5,758
Sold during the year	-	(3,189)
(Decrease)/increase in the fair value	(7,472)	20,914
	<hr/> 133,889 <hr/>	<hr/> 141,361 <hr/>
Fair value of investments at the end of the year	<hr/> 133,889 <hr/>	<hr/> 141,361 <hr/>

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

7. Trade and other receivables

	2014 AED '000	2013 AED '000
Trade receivables	95,804	84,495
Allowance for doubtful debts	(3,500)	(3,500)
	<hr/> 92,304	<hr/> 80,995
Prepaid expenses and other receivables	19,596	32,091
	<hr/> 111,900	<hr/> 113,086
Less: Amount due after 12 months	(4,233)	(7,894)
	<hr/> 107,667	<hr/> 105,192

Analysis of trade receivables are set out below:

	2014 AED '000	2013 AED '000
Secured against unconditional bank guarantees	50,570	52,581
Secured against letters of credit	6,179	14,472
Secured against undated cheques	2,616	1,298
Open credit	36,439	16,144
	<hr/> 95,804	<hr/> 84,495

Aging of past due trade receivables are as follows:

	2014 AED '000	2013 AED '000
Above 120 days	14,884	8,864

There were no movements on the allowance for doubtful debts during the current and prior year.

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

Before accepting any new customer, the Group normally obtains bank guarantees from the potential customers. Of the trade receivable balance at the end of year AED 15.5 million (2013: AED 1.7 million) is due from the Group's largest customer. There are 7 (2013: 4) other customers who individually represent more than 4% (2013: 5%) of the total balance of trade receivables.

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

7. Trade and other receivables (continued)

Included in the Group's trade receivables balance are debtors with a carrying amount of AED 14.9 million (2013: AED 8.9 million) which are over 120 days at the reporting date for which the Group has not provided as there has not been a significant change in their credit quality and that AED 13.4 million (2013: AED 7 million) of these balances are fully secured by bank guarantees. The average age of these receivables is 200 days (2013: 200 days).

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 majority of trade receivables are secured against bank guarantees and letters of credit, the directors believe that no further provision is required for the allowance for doubtful debts.

Prepaid expenses and other receivables include AED 5.95 million being the net accepted insurance claim in relation to the consequential loss (loss of profit) caused due to the machinery breakdown during the year (2013: AED 14 million provisional insurance claim in relation to the fire incident which occurred in the plant during that year and which was collected in full during current year.

8. Inventories

	2014	2013
	AED '000	AED '000
Finished goods	40,496	40,912
Raw materials	4,449	3,983
Work in progress	1,378	2,355
Fuel and lubricants	25,474	22,978
	<hr/>	<hr/>
	71,797	70,228
	<hr/>	<hr/>
Spare parts and others	76,570	75,727
Allowance of spare parts and others	(18,908)	(18,908)
	<hr/>	<hr/>
	57,662	56,819
	<hr/>	<hr/>
Goods in transit	3,235	-
	<hr/>	<hr/>
	132,694	127,047
	<hr/> <hr/>	<hr/> <hr/>

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

9. Related party transactions

Related parties include the Group's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

At the end of the reporting period, amounts due from a related party is as follows:

Due from a related party

	2014 AED '000	2013 AED '000
Al Telal Cement Trading	15,995	16,807

During the year, the Group entered into the following transactions with related parties:

	2014 AED '000	2013 AED '000
Short term benefits	603	602
Sales	27,327	25,414
Purchases	107	588
Board of Directors' remuneration	-	540
Board of Directors' fees	3,531	2,960

Transactions with related parties were carried out at terms agreed by the management.

10. Bank balances and cash

	2014 AED '000	2013 AED '000
Cash on hand	104	61
Bank balances:		
Current accounts	4,594	971
Call deposits	42,389	50,521
Fixed deposits	90,057	70,359
Total bank balances and cash	137,144	121,912
Less : Fixed deposits with maturity over three months	(50,000)	(40,359)
Cash and cash equivalents	87,144	81,553

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

11. Share capital

	2014 AED '000	2013 AED '000
Issued and fully paid:		
669,438,000 ordinary shares of AED 1 each	669,438	669,438

12. Reserves

According to article 63 of the Company's Articles of Association and the requirements of the U.A.E. Federal Commercial Companies Law No 8 of 1984, as amended, 10% of the profit for each year is transferred to the statutory reserve and another 10% to the voluntary reserve. The transfer to statutory reserve may be suspended when it reaches 50% of the paid-up share capital. Statutory reserve is not available for distribution except as stipulated by the Law. The transfer to voluntary reserve may be suspended by the ordinary general assembly at the recommendation of the Board of Directors or when it reaches 20% of the Company's paid-up share capital.

	Statutory reserve AED '000	Voluntary reserve AED '000	Total AED '000
Balance at 31 December 2012	196,146	118,676	314,822
Movement during the year	4,081	4,081	8,162
Balance at 31 December 2013	200,227	122,757	322,984
Movement during the year	7,610	7,610	15,220
Balance at 31 December 2014	207,837	130,367	338,204

13. Provision for employees' end of service indemnity

Movements in the net liability were as follows:

	2014 AED '000	2013 AED '000
Balance at the beginning of the year	11,315	10,121
Amounts charged to income during the year	1,377	1,806
Amounts paid during the year	(1,750)	(612)
Reversal	(121)	-
Balance at the end of the year	10,821	11,315

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

14. Bank borrowings

	2014 AED '000	2013 AED '000
Bank loan	10,870	50,098
The bank loan is repayable as follows:		
Within one year	10,870	40,000
In the second year	-	10,098
	10,870	50,098
Less: Due within 12 months from the reporting date (shown as current liabilities)	(10,870)	(40,000)
Due after 12 months from the reporting date (shown as non-current liabilities)	-	10,098

The Group obtained a term loan facility of AED 88 million in 2012 to finance the waste heat recovery project. The total drawdown on the account of this loan amounted to AED 70 million. The loan is repayable in seven quarterly installments starting from August 2013.

The term loan is secured against a non-notarized commercial mortgage over plant and machinery with a carrying value of AED 107 million and assignment of the related insurance policy in favour of the financing bank.

15. Trade and other payables

	2014 AED '000	2013 AED '000
Trade payables	60,107	53,139
Dividend payable	6,694	6,097
Retention payable	7,722	11,025
Accrued expenses and other payables	8,678	19,213
	83,201	89,474

The average credit period on purchase of goods is 30 days (2013: 30 days). The Group has financial risk management policies in place to ensure that all payables are paid within credit period time frame.

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

16. Revenue

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

	2014 AED '000	2013 AED '000
Local sales	211,706	230,101
Export sales	336,616	297,956
	<hr/> 548,322 <hr/>	<hr/> 528,057 <hr/>

Revenue includes AED 325 million – 59% (2013: AED 291 million – 55%) from 10 (2013: 10) customers.

Revenue from local sales include AED 5.95 million in relation to consequential loss (loss of profit) incurred as a result of machinery breakdown during the year (2013: AED 18 million in relation to consequential loss (loss of profit) incurred as a result of the fire accident in the plant during that year).

17. Cost of sales

	2014 AED '000	2013 AED '000
Raw material consumed	88,956	82,422
Fuel, electricity and water	204,712	198,378
Payroll and related expenses	39,100	37,982
Spares & consumables	20,601	19,561
Other direct operating expenses	9,128	7,146
Depreciation of property, plant and equipment	53,976	55,401
	<hr/> 416,473 <hr/>	<hr/> 400,890 <hr/>
Total manufacturing cost	416,473	400,890
Net movement in finished goods and work-in-progress	1,363	23,753
	<hr/> 417,836 <hr/>	<hr/> 424,643 <hr/>

18. Selling, general and administrative expenses

	2014 AED '000	2013 AED '000
Staff cost	18,446	18,180
Distribution expenses	26,619	29,248
Depreciation of property, plant and equipment	353	155
Other selling, general and administrative expenses	13,761	12,315
	<hr/> 59,179 <hr/>	<hr/> 59,898 <hr/>

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

19. Investment income

	2014 AED '000	2013 AED '000
Dividends income	6,760	4,343
Interest income	891	855
	<u>7,651</u>	<u>5,198</u>

20. Other income

Other income includes AED 5.9 million (2013: Nil) in relation to the final settlement of insurance claims as a result of the fire accident in the plant during 2013.

21. Basic earnings per share

	2014	2013
Profit attributable to equity Shareholders of the Company (in AED '000)	76,098	40,810
Number of shares in thousands	669,438	669,438
Basic earnings per share (in AED)	0.11	0.06

22. Dividend distributions

At the Annual General Meeting held on 26 March 2014, the shareholders approved cash dividends for the year 2013 of AED 8 fils per share amounting to AED 53,555 thousand (2013: 9 fils per share amounting to AED 60,249 for 2012). The Directors propose that a dividend for the year 2014 of AED 10 fils per share amounting to AED 66,944 thousand will be paid to shareholders in 2015.

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

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

23. Commitments and contingent liabilities

	2014 AED '000	2013 AED '000
Commitments for the acquisition of property, plant and equipment	985	5,040
Letters of credit	3,905	-

24. 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 bank balances and cash and equity, comprising issued and paid up share 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.

Gearing ratio

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 gearing ratio at the year end was as follows:

	2014 AED '000	2013 AED '000
Debt (i)	10,870	50,098
Bank balances and cash (Note 10)	(137,144)	(121,912)
	<u>(126,274)</u>	<u>(71,814)</u>
Equity (ii)	<u>1,270,554</u>	<u>1,255,483</u>

(i) Debt is defined as borrowings from banks.

(ii) Equity comprises of share capital, reserves and retained earnings.

25. 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.

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

25. Financial instruments (continued)

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.

25.1 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.

25.2 Categories of financial instruments

	2014	2013
	AED'000	AED'000
Financial assets		
Loans and receivables (including bank balances and cash)	260,357	249,994
Investments carried at FVTOCI	133,889	141,361
	394,246	391,355
Financial liabilities		
Bank borrowings	10,870	50,098
Other financial liabilities	82,313	82,650
	93,183	132,748

Management considers that the carrying amounts of the financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

25.3 Fair value measurement

The fair values of financial assets and financial liabilities are determined as follows;

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

25. Financial instruments (continued)

25.3 Fair value measurement (continued)

25.3.1 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;

Financial assets	Fair value as at 31 December 2014 AED'000	31 December 2013 AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity investments – FVTOCI	103,009	89,807	Level 1	Quoted bid prices in an active market.	None.	NA
Unquoted equity investments – FVTOCI	30,880	51,554	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information.	Net assets value.	Higher the net assets value of the investees, higher the fair value.

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

25. Financial instruments (continued)

25.3 Fair value measurement (continued)

25.3.2 Fair value hierarchy

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:

At 31 December 2014

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Investments carried at fair value through other comprehensive income (FVTOCI)				
Quoted equities	103,009	-	-	103,009
Unquoted equities	-	-	30,880	30,880
	<u>103,009</u>	<u>-</u>	<u>30,880</u>	<u>133,889</u>

At 31 December 2013

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Investments carried at fair value through other comprehensive income (FVTOCI)				
Quoted equities	89,807	-	-	89,807
Unquoted equities	-	-	51,554	51,554
	<u>89,807</u>	<u>-</u>	<u>51,554</u>	<u>141,361</u>

There were no transfers between various 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.

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

25. Financial instruments (continued)

25.3 Fair value measurement (continued)

25.3.3 Reconciliation of level 3 fair value measurements

Below is a reconciliation of movements in level 3 financial assets measured at fair value:

	2014	2013
	AED'000	AED'000
Balance at the beginning of the year	51,554	72,080
Losses recognised in other comprehensive income	(20,674)	(20,526)
	<hr/>	<hr/>
Balance at the end of the year	30,880	51,554
	<hr/> <hr/>	<hr/> <hr/>

25.4 Financial risk management objectives

The Group's finance department monitors and manages the financial risks relating to the operations of the Group through internal risk reports. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

25.5 Market risk

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

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.

25.6 Foreign currency risk management

There are no significant foreign currency risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams or United State Dollars to which Dirham is fixed.

25.7 Interest rate risk management

The Group's exposure to interest rate risk relates to its fixed deposits with banks and bank borrowings. At 31 December 2014, fixed deposits carried an interest rate of 1.5% to 1.85% per annum (2013: 1.75% per annum) and bank borrowings carried an interest rate of 2.95% per annum (2013: 3.18 % per annum).

The sensitivity analysis below has been determined based on the exposure to interest rates on the Group's deposits with banks at the end of reporting period. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

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

25. Financial instruments (continued)

25.7 Interest rate risk management (continued)

If interest rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Group's profit for the year ended 31 December 2014 and equity as at 31 December 2014 would have increased/decreased by approximately AED 396 thousand (2013: AED 100 thousand).

25.8 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit quality 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 management annually.

The credit risk associated with the Group's trade receivables is considered limited as the Group holds receivables amounting to AED 59,365 thousand (2013: AED 68,351 thousand) fully covered by unconditional bank guarantees, letters of credit and undated cheques to secure the collectability of these trade receivables. Ongoing credit evaluation is performed on the financial condition of trade receivable.

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

	2014 AED '000	2013 AED '000
United Arab Emirates	71,074	56,887
Gulf Cooperation Council countries	5,971	3,047
Other countries	18,759	24,561
	<hr/> 95,804 <hr/>	<hr/> 84,495 <hr/>

Ongoing credit evaluation is performed on the financial condition of receivables. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks registered in the United Arab Emirates.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

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

25. Financial instruments (continued)

25.9 Liquidity risk management

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date.

The Group manages the liquidity risk through risk management framework for the Group's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent to ensure that funds are available to meet its commitments for liabilities as they fall due.

The table below includes 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 end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure that adequate liquidity is maintained. The maturity profile of the financial assets and financial liabilities at the end of the reporting period based on contractual repayment arrangements was as follows.

31 December 2014

	Less than 30 days AED'000	31-90 days AED'000	91-180 days AED'000	After 181 days AED'000	Total AED'000
Financial assets					
Investments carried at fair value through other comprehensive income (FVTOCI)	-	-	-	133,889	133,889
Trade and other receivables	19,299	35,884	44,141	7,894	107,218
Due from a related Party	2,288	5,324	8,383	-	15,995
Bank balances and cash	87,144	-	50,000	-	137,144
	<u>108,731</u>	<u>41,208</u>	<u>102,524</u>	<u>141,783</u>	<u>394,246</u>
Financial liabilities					
Trade and other payables	42,360	21,275	17,387	1,291	82,313
Bank borrowings	-	10,000	870	-	10,870
	<u>42,360</u>	<u>31,275</u>	<u>18,257</u>	<u>1,291</u>	<u>93,183</u>

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

25. Financial instruments (continued)

25.9 Liquidity risk management (continued)

31 December 2013

	Less than 30 days AED'000	31-90 days AED'000	91-180 days AED'000	After 181 days AED'000	Total AED'000
Financial assets					
Investments carried at fair value through other comprehensive income (FVTOCI)	-	-	-	141,361	141,361
Trade and other receivables	8,631	49,021	45,229	8,394	111,275
Due from a related Party	2,454	6,387	6,516	1,450	16,807
Bank balances and Cash	81,553	-	40,359	-	121,912
	92,638	55,408	92,104	151,205	391,355
	92,638	55,408	92,104	151,205	391,355
Financial liabilities					
Trade and other Payables	45,874	12,916	20,016	3,844	82,650
Bank borrowings	-	10,000	10,000	30,098	50,098
	45,874	22,916	30,016	33,942	132,748
	45,874	22,916	30,016	33,942	132,748

25.10 Equity price risk

Sensitivity analysis

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Group's consolidated statement of comprehensive income would have increased/decreased by AED 13.4 million (2013: AED 14.1 million).

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

25. Financial instruments (continued)

25.10 Equity price risk (continued)

Sensitivity analysis (continued)

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk as at the reporting date.
- As at the reporting date if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on other comprehensive income has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

25.11 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.

26. Segment information

The Group is organised into two main business segments:

Manufacturing and sales of cement and investments incorporating investments in marketable equity securities and deposits with banks.

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

26. Segment information (continued)

	2014		
	Manufacturing AED '000	Investments AED '000	Total AED '000
Segment revenue	548,322	-	548,322
Segment result	77,191	7,651	84,842
Segment assets	1,144,196	231,967	1,376,163
Unallocated assets			783
Total assets			1,376,946
Segment liabilities	104,892	-	104,892
	2013		
	Manufacturing AED '000	Investments AED '000	Total AED '000
Segment revenue	528,057	-	528,057
Segment result	45,670	5,198	50,868
Segment assets	1,185,047	222,163	1,407,210
Unallocated assets			660
Total assets			1,407,870
Segment liabilities	150,887	-	150,887

There are no transactions between the business segments.

27. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 12 February 2015.