Sharjah Cement and Industrial Development Co. (PJSC)

FINANCIAL STATEMENTS

31 DECEMBER 2016

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHARJAH CEMENT AND INDUSTRIAL DEVELOPMENT CO. (PJSC)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sharjah Cement and Industrial Development Co. (PJSC) ("the Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance and its 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 financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHARJAH CEMENT AND INDUSTRIAL DEVELOPMENT CO. (PJSC) (continued)

Key audit matters (continued)

a) Impairment of investment in associate

Under IFRS, the Company is required to annually test the net carrying value of the investment in associate for impairment. This annual impairment test was significant to our audit because of the minimal operational activity of the associate and the balance of AED 42,125 thousand as of 31 December 2016 is material to the financial statements. In addition, management's assessment process is judgmental and is based on assumptions, including the ultimate realisation of assets and related cash flows of the associate which may be affected by market and economic conditions in India.

We evaluated management's considerations of the impairment indicators in respect of the investment in associate. Amongst other procedures, we also considered any offers received from third parties to exit the investment in associate which was one of the key assumptions used in assessing the impairment. We assessed the adequacy of the Company's disclosure in note 8 to the financial statements.

b) Impairment of available for sale investments – quoted and unquoted investments

The Company treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Company evaluates a number of factors, including the amount of decline and the length of period of the decline, the normal volatility in share price for quoted investments and the future cash flows and the discount factors for unquoted investments. As at 31 December 2016, available for sale investments represented 13% of total assets. The determination of what is "significant" or "prolonged" requires considerable judgment and therefore represents a key audit matter.

Our audit procedures comprised, amongst others, an evaluation of management's assessment of whether objective evidence of impairment exists for any of the available for sale investments in accordance with International Financial Reporting Standards. We also assessed the adequacy of the Company's disclosure in note 9 to the financial statements.

c) Existence and valuation of inventories

Included in note 10 to the financial statements, inventories on hand comprise of purchased raw materials consisting mainly of limestone, coal, slag, gypsum, iron ore and bauxite, and work in progress comprising mainly of clinkers which are stored in purpose built shed and stockpiles. Since the weighing of these inventories is not practicable, management assesses the reasonableness of the quantities on hand at the year-end by obtaining measurements of the stockpiles and converting these measurements to unit of volumes by using an angle of repose and the bulk density. Due to the significance of the inventory balances and related estimations involved, this is considered a key audit matter.

We attended the physical inventory count performed by the Company. We assessed the reasonableness of the management's measurements of stockpiles during the physical count and reviewed the conversion to the unit of volumes. We also obtained and reviewed the inventory count report of an external surveyor's for the major stock items.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHARJAH CEMENT AND INDUSTRIAL DEVELOPMENT CO. (PJSC) (continued)

Other information included the Company's 2016 Annual Report
Other information consists of the information included in the Company's 2016 Annual Report, other than the financial statements and our auditor's report thereon. We obtained the report of Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Company's 2016 Annual Report after the date of our auditor's report. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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, obtained prior to the date of the 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.

Responsibilities of management and those charged with governance for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHARJAH CEMENT AND INDUSTRIAL DEVELOPMENT CO. (PJSC) (continued)

Auditor's responsibilities for the audit of the financial statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Company's 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 Company'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 financial statements or, if such disclosures are 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHARJAH CEMENT AND INDUSTRIAL DEVELOPMENT CO. (PJSC) (continued)

Report on other legal and regulatory requirements

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

i) the Company has maintained proper books of account;

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

iii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015;

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

v) investments in shares and stocks during the year ended 31 December 2016, if any, are disclosed in note 9 and 12 to the financial statements;

vi) note 25 reflects 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 Company 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 of its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2016; and

viii) note 28 reflects the social contributions made during the year.

For Ernst & Young

Ashraf Abu-Sharkh
Partner
Registration No.: 690

4 March 2017

Sharjah, United Arab Emirates

INCOME STATEMENT
For the year ended 31 December 2016

	Notes	*2016* *AED'000*	*2015* *AED'000*
Sales		**612,815**	636,875
Cost of sales		**(543,447)**	(560,043)
GROSS PROFIT		**69,368**	76,832
Selling and distribution costs		**(5,281)**	(4,945)
General and administration expenses		**(14,862)**	(15,559)
Finance costs	3	**(10,722)**	(11,785)
Impairment of available for sale of investments		**(10,850)**	-
Investment income	4	**29,822**	14,390
Miscellaneous income		**6,567**	3,165
PROFIT FOR THE YEAR	3	**64,042**	62,098
Basic and diluted earnings per share	5	**AED 0.11**	AED 0.11

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	***2016*** ***AED'000***	*2015* *AED'000*
Profit for the year		**64,042**	62,098
Other comprehensive income			
Other comprehensive income that could be reclassified to profit or loss in subsequent periods:			
Decrease in fair value of available for sale investments	17	**(5,120)**	(48,979)
Impairment of available for sale of investments recognised in income statement	17	**9,350**	-
Net realised gain on disposal of available for sale investments transferred to income statement	17	**(14,424)**	(3,485)
Other comprehensive loss for the year		**(10,194)**	(52,464)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**53,848**	9,634

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 AED'000	2015 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**868,639**	857,745
Investment properties	7	**112,103**	114,102
Investment in associate	8	**42,125**	42,125
Available for sale investments	9	**232,949**	278,653
		1,255,816	1,292,625
Current assets			
Inventories	10	**266,429**	264,137
Accounts receivable and prepayments	11	**213,125**	223,887
Trading securities	12	**9,398**	9,618
Bank balances and cash	13	**46,891**	60,857
		535,843	558,499
TOTAL ASSETS		**1,791,659**	1,851,124
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	**552,958**	552,958
Statutory reserve	15	**334,091**	334,091
General reserve	16	**226,373**	226,373
Retained earnings		**204,468**	187,163
Cumulative changes in fair value	17	**42,686**	52,880
Proposed cash dividend	18	**44,237**	38,707
Total equity		**1,404,813**	1,392,172
Non-current liabilities			
Term loan	19	**60,365**	127,137
Employees' end of service benefits	20	**25,206**	27,001
		85,571	154,138
Current liabilities			
Accounts payable and accruals	21	**122,525**	110,507
Payable against construction of property, plant and equipment	22	**4,787**	6,035
Current portion of term loan	19	**85,925**	85,925
Short term loans	23	**88,038**	102,347
		301,275	304,814
Total liabilities		**386,846**	458,952
TOTAL EQUITY AND LIABILITIES		**1,791,659**	1,851,124

Ahmed Abdulla Al Noman
Chairman

P. J. Batavia
Chief Executive

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	Notes	*2016* *AED'000*	*2015* *AED'000*
OPERATING ACTIVITIES			
Profit for the year		**64,042**	62,098
Adjustments for:			
Depreciation on property, plant and equipment	6	**52,085**	49,418
Depreciation on investment properties	7	**1,999**	1,994
Provision for employees' end of service benefits	20	**2,294**	3,565
Profit on sale of property, plant and equipment		**(1,510)**	(639)
Net gain on disposal of available for sale investments	4 & 17	**(14,424)**	(3,485)
Net gain/ (loss) on sale of investments in Funds	4	**(1,614)**	673
Impairment of available for sale of investments – quoted	17	**9,350**	-
Impairment of available for sale of investments – unquoted	9	**1,500**	5,000
Net gain on sale of trading securities	4	**(177)**	(36)
Changes in fair value of trading securities	4	**65**	1,696
Dividend and other investment income	4	**(13,672)**	(13,238)
Interest expense	3	**10,722**	11,785
		110,660	118,831
Working capital changes:			
Inventories		**(18,106)**	13,711
Receivables		**10,762**	(27,195)
Payables		**9,046**	(30,055)
Cash from operations		**112,362**	75,292
Employees' end of service benefits paid	20	**(4,089)**	(1,778)
Net cash from operating activities		**108,273**	73,514
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**(47,265)**	(51,189)
Purchase of investment properties	7	**-**	(5,363)
Proceeds from sale of property, plant and equipment		**1,610**	639
Payable against construction of property, plant and equipment		**(1,248)**	(306)
Dividend and other investment income		**15,286**	12,565
Purchase of available for sale investments	9	**(25,464)**	(21,282)
Proceeds from disposal of available for sale investments	9	**64,548**	24,761
Net movement in trading securities		**332**	4,387
Net cash from/ (used in) investing activities		**7,799**	(35,788)
FINANCING ACTIVITIES			
Proceeds from term loans		**19,153**	58,800
Repayment of term loans		**(85,925)**	(55,213)
Proceeds from short term loans		**386,831**	314,049
Short term loans repaid		**(401,140)**	(285,980)
Dividends paid		**(39,485)**	(52,921)
Interest paid		**(9,472)**	(9,464)
Net cash used in financing activities		**(130,038)**	(30,729)
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(13,966)**	6,997
Cash and cash equivalents at 1 January		**60,857**	53,860
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**46,891**	60,857

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Share capital AED'000 (Note 14)	*Statutory reserve AED'000 (Note 15)*	*General reserve AED'000 (Note 16)*	*Retained earnings AED'000*	*Cumulative changes in fair value AED'000 (Note 17)*	*Proposed cash dividend AED'000 (Note 18)*	*Total AED'000*
At 1 January 2016	552,958	334,091	226,373	187,163	52,880	38,707	1,392,172
Profit for the year	-	-	-	64,042	-	-	64,042
Other comprehensive income	-	-	-	-	(10,194)	-	(10,194)
Total comprehensive income for the year	-	-	-	64,042	(10,194)	-	53,848
Dividends paid (Note 18)	-	-	-	-	-	(38,707)	(38,707)
Directors fees (Note 25)	-	-	-	(2,500)	-	-	(2,500)
Proposed cash dividend (Note 18)	-	-	-	(44,237)	-	44,237	-
At 31 December 2016	**552,958**	**334,091**	**226,373**	**204,468**	**42,686**	**44,237**	**1,404,813**

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2016

	Share capital AED'000 (Note 14)	*Statutory reserve AED'000 (Note 15)*	*General reserve AED'000 (Note 16)*	*Retained earnings AED'000*	*Cumulative changes in fair value AED'000 (Note 17)*	*Proposed cash dividend AED'000 (Note 18)*	*Total AED'000*
At 1 January 2015	552,958	334,091	226,373	166,072	105,344	55,296	1,440,134
Profit for the year	-	-	-	62,098	-	-	62,098
Other comprehensive income	-	-	-	-	(52,464)	-	(52,464)
Total comprehensive income for the year	-	-	-	62,098	(52,464)	-	9,634
Dividends payable transferred to current liabilities	-	-	-	-	-	(55,296)	(55,296)
Directors fees (Note 25)	-	-	-	(2,300)	-	-	(2,300)
Proposed cash dividend (Note 18)	-	-	-	(38,707)	-	38,707	-
At 31 December 2015	552,958	334,091	226,373	187,163	52,880	38,707	1,392,172

The attached notes 1 to 29 form part of these financial statements.

1 ACTIVITIES

Sharjah Cement and Industrial Development Co. (PJSC) (the "Company'') was incorporated in Sharjah, United Arab Emirates in 1977 under an Emiri Decree issued by H.H. The Ruler of Sharjah and has since been registered under the Commercial Companies Law No. 8 of 1984 (as amended) and the UAE Federal Law No. (2) of 2015 as a public shareholding company. It is engaged in the manufacture and supply of cement, paper sacks and plastic ropes. The Company invests its surplus funds in investment securities, private equities and properties.

The Company operates from Sharjah, UAE and sells its products in the UAE and certain other countries in the Middle East, Africa and Asia. The Company's registered office is at P O Box 2083 Sharjah, UAE. The shares of the Company are traded on the Abu Dhabi Securities Exchange and the Kuwait Stock Exchange.

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 4 March 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Accounting convention
These financial statements are prepared under the historical cost convention, except for available-for-sale investments, trading securities and derivatives that have been measured at fair value.

The financial statements have been presented in UAE Dirhams, which is also the functional currency of the Company, and all values are rounded to the nearest thousand (AED'000) except where otherwise indicated.

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of United Arab Emirates Laws.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New standards and interpretations effective after 1 January 2016

The accounting policies adopted are consistent with those used in the previous financial year, except for the following new standards and amendments to IFRS that are mandatorily effective for annual accounting periods beginning on or after 1 January 2016, except as indicated otherwise. The nature and the impact of each new standard and amendment is described below:

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*
The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) New standards and interpretations effective after 1 January 2016 (continued)

Amendments to IAS 27: *Equity Method in Separate Financial Statements*
The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Company's financial statements.

Amendments to IAS 1 *Disclosure Initiative*
The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Company.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: *Applying the Consolidation Exception*
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Company.

Annual Improvements 2012-2014 Cycle
These improvements include:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

IFRS 7 *Financial Instruments: Disclosures*

i. Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

ii. Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) New standards and interpretations effective after 1 January 2016 (continued)

Annual Improvements 2012-2014 Cycle (continued)

IAS 19 *Employee Benefits*
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 *Interim Financial Reporting*
The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These improvement do not have any impact on the Company.

(b) Standards issued but not yet effective

The relevant standards and interpretations that are issued, but not yet effective, up to the reporting date of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not mandatory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities. The Company is in the process of analysing the detailed impact of IFRS9.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Standards issued but not yet effective (continued)

IAS 7 *Statement of Cash Flows – Amendments to IAS 7*
The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods
Sales represent the aggregate invoiced amount of goods supplied during the year, net of discounts and returns. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards associated with ownership have been transferred to the buyer, usually on delivery.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment income

(i) Interest income is recognised on a time proportion basis after taking account of the principal outstanding and the interest rate applicable.

(ii) Dividend income is accounted for when the right to receive the dividend is established.

(iii) Rental income from letting out of investment properties is accounted for on a straight-line basis over the lease terms.

Realised gains and losses

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and on investment properties. Realised gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Property, plant and equipment

Property plant and equipment are stated at cost, less accumulated depreciation and any impairment in value. Land and capital projects in progress are not depreciated.

Depreciation is provided on a straight line basis on all property, plant and equipment, other than capital projects in progress and freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

Freehold buildings	20 - 25 years
Plant and machinery	5 - 30 years
Furniture and equipment	5 years
Motor vehicles	3 - 5 years
Quarry costs	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such condition exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Replacement parts and spares pertaining to plant and machinery are capitalised along with related plant and machinery. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

The residual values, useful life and depreciation method are reviewed at each financial year-end with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Fully depreciated fixed assets are retained until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Investment properties

Investment properties are initially recognised at cost, being the fair value of the consideration paid and include acquisition charges associated with the purchase. After initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on all investment properties, other than freehold land, which is determined to have an indefinite life. Freehold buildings are depreciated over a period of 25 years.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such conditions exist and where the carrying values exceed the estimated recoverable amounts, the investment properties are written down to their recoverable amounts.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Expenditure incurred to replace a component of an item of investment property that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in the income statement as the expense is incurred.

Investment properties are derecognised either when they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in income statement in the year of retirement or disposal.

Investment in associate
An associate is an entity over which the Company has significant influence but not control, generally accompanying a shareholding of over 20% of the voting rights. An associate is an entity, not being a subsidiary or a joint venture, in which the Company has significant influence. The Company's investment in its associate is accounted for under the equity method of accounting.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of the net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment. After application of the equity method, the Company determines whether it is necessary to recognise any impairment loss with respect to the Company's net investment in the associate. The income statement reflects the share of the results of operations of the associate.

When there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised profits and losses resulting from transactions between the Company and its associate is eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Company are identical and where necessary, adjustments are made to the associate's accounting policies to conform to those used by the Company for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in income statement.

Inventories
Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

• Raw materials, stores and spares and semi-finished goods purchased	-purchase cost on a weighted average basis.
• Raw materials produced locally, work in progress and finished goods	-cost of direct materials and labour and a proportion of manufacturing overhead based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

A provision for impairment of accounts receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. If an amount has not been settled within its contractual payment term then it is considered past due. The Company reviews the allowance for doubtful accounts regularly and past due balances are reviewed for collectability. The amount of the provision is the difference between the asset's carrying amount and the estimated future cash flows. Account balances are charged off against the allowance when the Company believes that the amount will not be recovered.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

Financial assets
The Company classifies its investments into financial assets at fair value through profit or loss and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss, has two sub categories namely financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis.

All investment securities are initially recognised at cost, being the fair value of the consideration given. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or which are not classified in the above category. These investments are initially recorded at cost. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value gains and losses are reported in other comprehensive income until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to the income statement.

In the case of unquoted investments in shares where fair values cannot be reliably measured, such investments are carried at cost less provision for impairment.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement
The Company measures financial instruments, such as equity, debt and derivative instruments, and non-financial assets, such as investment properties (for disclosure purposes), at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Derivative financial instruments
Derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the statement of financial position.

Impairment and uncollectibility of financial assets
An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets (continued)
Available-for-sale financial investments
For available-for-sale financial investments, the Company assesses at each statement of financial position date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired
  or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Accounts payable and accruals
Liabilities under standard payment terms are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. For liabilities under non-standard payment terms, accounts payable are initially recognised at fair value then subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss of the year when the liabilities are derecognised as well as through the amortisation process.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

Term loans
All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowing costs
Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs relating to project financing are capitalised into contracts-work-in-progress and recognised as part of interest expense in the statement of comprehensive income in accordance with the revenue recognition policy. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

Employees' end of service benefits
The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' salary and length of service subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to the General Pension and Social Security Authority. These contributions are calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Foreign currency translation
The Company's presentation currency is UAE Dirhams (AED). This is also the functional currency of the Company. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the income statement, except when it relates to items when gains or losses are recognised directly in equity, the gain or loss is then recognised net of the exchange component in equity.

Contingencies
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification
The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Related parties
A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:
- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements:

Classification of investments
Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through income statement or available for sale.

The Company classifies investments as trading if they are acquired primarily for the purpose of making a short term profit.

Classification of investments as fair value through income statement depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through income statement.

All other investments are classified as available for sale.

Impairment of investments
The Company treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

Operating Lease Commitments-Company as Lessor
The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Distinction between investment properties and owner-occupied properties
The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Company accounts for these portions separately. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property.

Going concern
Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated useful lives of property, plant and equipment and investment properties
The cost of property, plant and equipment and investment properties are depreciated over the estimated useful life, which is based on the expected usage of the asset, expected physical wear and tear, and the repairs and maintenance program and the residual value. Management periodically reviews estimated useful lives and the depreciation methods to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the assets.

Valuation of investment properties
The Company uses the services of independent market valuers to determine the market value of investment properties for the purposes of their impairment review and disclosure in the financial statements.

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the statement of financial position date, gross trade accounts receivable were AED 192,266 thousand (2015: AED 205,777 thousand), and the provision for doubtful debts was AED 8,213 thousand (2015: AED 7,992 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the statement of financial position date, gross inventories were AED 299,122 thousand (2015: AED 294,081 thousand), with provisions for old and obsolete inventories of AED 32,693 thousand (2015: AED 29,944 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Physical verification of purchased semi-finished goods, raw material and work in progress
Purchased semi-finished goods, raw material and work in progress consisting mainly of clinker is stored in the open yard. Since a specific weighing of these inventories is not practicable, management estimates the quantities on hand at the year-end by taking measurements of the stock piles and converting these measurements to volumes by using angle of repose and the bulk density. The measurements of the stock piles, angle of repose and the bulk density are certified by the Company's technical manager.

3 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2016 AED'000	2015 AED'000
Staff costs:		
Wages and salaries	**35,337**	37,388
End of service benefits	**2,294**	3,565
Other employee benefits	**15,131**	21,074
	52,762	62,027
Finance costs:		
Bank interest	**937**	518
Long term loan interest	**6,561**	7,633
Short term loan interest	**3,224**	3,634
	10,722	11,785
Inventory expensed on sale of finished goods	**364,208**	392,973
Depreciation and amortisation	**54,084**	51,412

4 INVESTMENT INCOME

	2016 AED'000	2015 AED'000
Realised gains		
Net gain on sale of available for sale investments – quoted	**14,424**	3,485
Net gain/ (loss) on sale available for sale investments – unquoted	**1,614**	(673)
Net gain on sale of trading securities	**177**	36
	16,215	2,848
Fair value losses		
Changes in fair value of trading securities	**(65)**	(1,696)
Other investment income		
Rental income from investment properties, net of depreciation (Note 7)	**3,217**	2,830
Dividend and distribution income- available for sale investments	**11,925**	11,199
Interest income	**459**	992
Loss on derivatives	**(1,929)**	(1,783)
	13,672	13,238
	29,822	14,390

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year, net of directors' fees, by the weighted average number of shares outstanding during the year as follows:

	2016	*2015*
Profit for the year (AED'000)	**64,042**	62,098
Directors' fees (AED'000)	**(2,500)**	(2,300)
Net (AED'000)	**61,542**	59,798
Weighted average number of shares outstanding during the year ('000)	**552,958**	552,958
Basic and diluted earnings per share (AED)	**0.11**	0.11

The Company has not issued any instruments which would have any impact on earnings per share when exercised.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2016

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land AED'000	*Freehold buildings AED'000*	*Plant and machinery AED'000*	*Furniture and equipment AED'000*	*Motor vehicles AED'000*	*Quarry costs AED'000*	*Capital projects in progress AED'000*	*Total AED'000*
Cost:								
At 1 January 2016	32,902	382,065	1,170,740	37,894	42,519	4,364	11,061	1,681,545
Additions	-	1,224	18,511	1,999	5,714	-	35,631	63,079
Disposals	-	-	(5,654)	-	(3,219)	-	-	(8,873)
Transfers	-	15,143	30,044	-	-	-	(45,187)	-
At 31 December 2016	**32,902**	**398,432**	**1,213,641**	**39,893**	**45,014**	**4,364**	**1,505**	**1,735,751**
Depreciation:								
At 1 January 2016	-	193,768	553,804	32,825	39,910	3,493	-	823,800
Charge for the year	-	12,056	36,816	1,429	1,720	64	-	52,085
Relating to disposals	-	-	(5,654)	-	(3,119)	-	-	(8,773)
At 31 December 2016	-	**205,824**	**584,966**	**34,254**	**38,511**	**3,557**	-	**867,112**
Net carrying amount:								
At 31 December 2016	**32,902**	**192,608**	**628,675**	**5,639**	**6,503**	**807**	**1,505**	**868,639**

Plant and machinery with a net book value of AED 31,043 thousand (2015: AED Nil) are mortgaged as security for one of the term loans (Note 19).

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2016

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land AED'000	*Freehold buildings AED'000*	*Plant and machinery AED'000*	*Furniture and equipment AED'000*	*Motor vehicles AED'000*	*Quarry costs AED'000*	*Capital projects in progress AED'000*	*Total AED'000*
Cost:								
At 1 January 2015	32,902	362,606	1,086,347	35,682	43,986	4,364	69,563	1,635,450
Additions	-	-	3,413	2,212	1,146	-	44,418	51,189
Disposals	-	(771)	(1,710)	-	(2,613)	-	-	(5,094)
Transfers	-	20,230	82,690	-	-	-	(102,920)	-
At 31 December 2015	32,902	382,065	1,170,740	37,894	42,519	4,364	11,061	1,681,545
Depreciation:								
At 1 January 2015	-	183,246	520,061	31,527	41,213	3,429	-	779,476
Charge for the year	-	11,293	35,453	1,298	1,310	64	-	49,418
Relating to disposals	-	(771)	(1,710)	-	(2,613)	-	-	(5,094)
At 31 December 2015	-	193,768	553,804	32,825	39,910	3,493	-	823,800
Net carrying amount:								
At 31 December 2015	32,902	188,297	616,936	5,069	2,609	871	11,061	857,745

The depreciation charge has been allocated in the income statement as follows:

	2016 AED'000	*2015 AED'000*
Included in cost of sales	**50,701**	48,486
Included in general and administration expenses	**1,384**	932
	52,085	49,418

7 INVESTMENT PROPERTIES

	Undeveloped land in UAE AED'000	*Developed land in UAE AED'000*	*Buildings in UAE AED'000*	*Total AED'000*
Cost:				
At 1 January 2016	78,270	9,447	49,289	137,006
At 31 December 2016	**78,270**	**9,447**	**49,289**	**137,006**
Depreciation:				
At 1 January 2016	-	-	22,904	22,904
Charge for the year	-	-	1,999	1,999
At 31 December 2016	-	-	**24,903**	**24,903**
Net carrying amount:				
At 31 December 2016	**78,270**	**9,447**	**24,386**	**112,103**
Estimated fair values:				
At 31 December 2016	**238,520**	**12,392**	**60,608**	**311,520**

	Undeveloped land in UAE AED'000	*Developed land in UAE AED'000*	*Buildings in UAE AED'000*	*Total AED'000*
Cost:				
At 1 January 2015	72,907	9,447	49,289	131,643
Additions	5,363	-	-	5,363
At 31 December 2015	78,270	9,447	49,289	137,006
Depreciation:				
At 1 January 2015	-	-	20,910	20,910
Charge for the year	-	-	1,994	1,994
At 31 December 2015	-	-	22,904	22,904
Net carrying amount:				
At 31 December 2015	78,270	9,447	26,385	114,102
Estimated fair values:				
At 31 December 2015	232,383	12,392	63,608	308,383

Fair values have been determined based on valuations performed by independent property consultants and brokers.

Rental income of AED 5,216 thousand (2015: AED 4,824 thousand) has been earned from investment properties and disclosed as net of depreciation charge of AED 1,999 thousand (2015: AED 1,994 thousand) (Note 4).

The fair value of investment properties has been determined using level 3 fair value hierarchy (Note 29).

8 INVESTMENT IN ASSOCIATE

	2016 *AED'000*	*2015* *AED'000*
Investment in associate	**42,125**	42,125
Additions during the year	-	-
Share of results for the year	-	-
Carrying value as of 31 December	**42,125**	42,125

Investment in associate represents a 34.48% (2015: 34.48%) holding in Auto Line Industrial Parks Limited, which is registered in India and involved in developing industrial parks. Investment in Auto Line Industrial Parks Limited is treated as an investment in associate as the Company does not have the power to govern the financial and operating policies of the investee company.

The following table illustrates summarised information of the Company's investment in the associate:

Associate's statement of financial position:

	2016 *AED'000*	*2015* *AED'000*
Current assets	**58,702**	57,037
Non-current assets	**15**	59
Current liabilities	**(1,341)**	(481)
Equity	**57,376**	56,615
Share of associate's statement of financial position	**19,783**	19,520
Associate's revenue and results:		
Revenue	**0.147**	0.497
Loss	**(416)**	(142)
Share of associate's loss:	**(143)**	(49)
Associate's contingent liabilities:	**60**	111
Share of associate's contingent liabilities:	**21**	38

9 AVAILABLE FOR SALE INVESTMENTS

	31 December 2016			*31 December 2015*		
	Quoted ***AED'000***	***Unquoted*** ***AED'000***	***Total*** ***AED'000***	*Quoted* *AED'000*	*Unquoted* *AED'000*	*Total* *AED'000*
Equity and debt securities						
UAE	**151,253**	**5,100**	**156,353**	177,542	4,394	181,936
Outside UAE	**44,585**	**32,011**	**76,596**	35,799	60,918	96,717
	195,838	**37,111**	**232,949**	213,341	65,312	278,653

9 AVAILABLE FOR SALE INVESTMENTS (continued)

Unquoted equity securities amounting to AED 37,111 thousand (2015: AED 65,312 thousand) are carried at cost less provision for impairment, where applicable, due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at a reliable fair value. Investments carried at cost primarily comprise private equity entities and funds in a start-up stage, with projects still under construction as of the reporting date. The Company intends to hold such investments either for long term investment purposes or until such time when an appropriate exit is available.

Movements in the available for sale investments were as follows:

	2016 *AED'000*	*2015* *AED'000*
At 1 January	**278,653**	336,111
Purchased during the year	**25,464**	21,282
Changes in fair value	**(5,120)**	(48,979)
Disposed during the year	**(64,548)**	(24,761)
Provision for impairment in available for sale investments - unquoted shares	**(1,500)**	(5,000)
At 31 December	**232,949**	278,653

10 INVENTORIES

	2016 *AED'000*	*2015* *AED'000*
Raw materials	**67,820**	70,024
Work in progress and semi-finished goods	**112,624**	95,833
Finished goods	**16,056**	16,149
Stores and spares	**99,114**	110,803
Goods in transit	**3,508**	1,272
	299,122	294,081
Less: Provision	**(32,693)**	(29,944)
Net carrying value	**266,429**	264,137

Movements in the provision for inventories were as follows:

	2016 *AED'000*	*2015* *AED'000*
At 1 January	**29,944**	29,396
Add: provided during the year	**2,749**	2,200
Less: written off during the year	**-**	(1,652)
At 31 December	**32,693**	29,944

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2016 ***AED'000***	*2015* *AED'000*
Trade accounts receivable (net of provision)	**184,053**	197,785
Advances to suppliers	**1,912**	3,750
Advances for purchase of investment property	**19,369**	17,927
Other receivables	**5,231**	1,764
Prepaid expenses	**2,560**	2,661
	213,125	223,887

As at 31 December 2016, trade receivables at nominal value of AED 8,213 thousand (2015: AED 7,992 thousand) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2016 ***AED'000***	*2015* *AED'000*
At 1 January	**7,992**	8,939
Charge for the year	**221**	225
Written off during the year	**-**	(172)
Unused amounts reversed	**-**	(1,000)
At 31 December	**8,213**	7,992

The ageing of trade receivable and credit period has been disclosed under Note 27.

12 TRADING SECURITIES

	31 December 2016		*31 December 2015*	
	Quoted ***AED'000***	***Total*** ***AED'000***	*Quoted* *AED'000*	*Total* *AED'000*
Equities				
Outside UAE	**9,398**	**9,398**	9,618	9,618

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

	2016 ***AED'000***	*2015* *AED'000*
Cash in hand	**586**	502
Bank balances	**46,305**	60,355
	46,891	60,857

Bank balances and cash include balances amounting to AED 4,150 thousand (2015: AED 8,339 thousand) placed with banks outside the UAE.

14 SHARE CAPITAL

	2016 AED'000	2015 AED'000
Authorised, Issued and fully paid:		
552,957,951 shares (2015: 552,957,951 shares) of AED 1 each	**552,958**	552,958

15 STATUTORY RESERVE

As required by the UAE Commercial Companies Law and the Company's Articles of Association, a minimum 10% of the profit for the year has to be transferred to the statutory reserve until such reserve equals 50% of the paid up share capital. The shareholders may resolve to discontinue such transfers as the reserve is in excess of 50% of the issued share capital. The reserve is not available for distribution except in circumstances as stipulated by the Law.

The Board of Directors has not proposed any further transfer to the statutory reserve as the reserve is in excess of 50% of the paid up share capital.

16 GENERAL RESERVE

As per the Company's Articles of Association, 10% of the profit for the year has to be transferred to a general reserve until the reserve reaches 25% of the paid up share capital. This reserve is available for distribution at the recommendation of the directors and the approval of the shareholders in an ordinary general meeting.

The Board of Directors has not proposed any further transfer to the general reserve as the reserve is in excess of 25% of the paid up share capital.

17 CUMULATIVE CHANGES IN FAIR VALUE

This reserve records fair value changes on financial instrument held at fair value through other comprehensive income, i.e. available for sale investments.

	2016 AED'000	2015 AED'000
Available for sale investments		
At 1 January	**52,880**	105,344
Net decrease in fair value during the year (note 9)	**(5,120)**	(48,979)
Less: Realised gains during the year (note 4)	**(14,424)**	(3,485)
Impairment of available for sale of investments recognised in income statement	**9,350**	-
Balance of cumulative changes in fair value at 31 December	**42,686**	52,880

18 DIVIDENDS PAID AND PROPOSED

The Board of Directors has proposed a cash dividend amounting to AED 44,237 thousand at AED 0.08 per share of AED 1 each. No scrip dividend has been proposed. These are subject to the approval of the shareholders at the Annual General Meeting.

For the year ended 31 December 2015, the Board of Directors had proposed a cash dividend amounting to AED 38,707 thousand at AED 0.07 per share of AED 1 each. No scrip dividend was proposed. Subsequently, the shareholders, at the annual general meeting held on 2 April 2016, approved a cash dividend amounting to AED 38,707 thousand at AED 0.07 per share of AED 1 each.

19 TERM LOANS

	2016 *AED'000*	*2015* *AED'000*
Current portion	**85,925**	85,925
Non-current portion	**60,365**	127,137
	146,290	213,062

During the year, the Company entered into a term loan agreement for AED 29,400 thousand (equivalent of USD 8,000 thousand) with a commercial bank in the UAE for capital expenditure financing. The total drawdown of this loan as at 31 December 2016 was AED 19,153 thousand. This term loan is secured by the following:

a) Assignment of insurance policy covering machinery financed by the bank.
b) Notarized mortgage of machinery upon commissioning.

Remaining term loan are unsecured and carried interest at floating commercial rates.

Interest rate and repayment terms are disclosed in Note 27.

20 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	2016 *AED'000*	*2015* *AED'000*
Provision as at 1 January	**27,001**	25,214
Provided during the year	**2,294**	3,565
End of service benefits paid	**(4,089)**	(1,778)
Provision as at 31 December	**25,206**	27,001

21 ACCOUNTS PAYABLE AND ACCRUALS

	2016 *AED'000*	*2015* *AED'000*
Trade accounts payable	**62,533**	53,934
Accrued expenses and other payables	**46,353**	42,156
Unclaimed dividends due to shareholders	**13,639**	14,417
	122,525	110,507

22 PAYABLE AGAINST CONSTRUCTION OF PROPERTY, PLANT AND EQUIPMENT

Payable against construction of property, plant and equipment mainly represents amounts payable for Paper sacks factory expansion, waste heat recovery system project, construction of cement mill and labour accommodation.

23 SHORT TERM LOANS

Short term loans consist of trust receipts and working capital loans.

(a) Trust receipts
During the year, the Company obtained trust receipts of AED 29,453 thousand (2015: AED 37,873 thousand) which are unsecured, repayable within 120 days and carry interest at floating commercial rates. The balance of the trust receipts as at 31 December 2016 was AED 4,384 thousand (2015: AED 19,379 thousand).

(b) Working capital loans
During the year, the Company obtained working capital loan facilities of AED 357,378 thousand (2015: AED 276,176 thousand) which are partly secured by demand promissory notes in favour of one of the banks. These loans carry interest at floating commercial rates and are repayable as per the terms of the loan agreements, which are less than 12 months from the date of the financial position. The balance of these loans as of 31 December 2016 was AED 83,654 thousand (2015: AED 82,968 thousand).

Total undrawn facilities relating to short term loans where conditions precedent were met amounted to AED 250,028 thousand as at 31 December 2016 (2015: AED 239,549 thousand).

24 SEGMENT INFORMATION

Primary segment information
For management purposes, the Company is organised into two major operating segments as follows:

- Manufacturing segment comprises cement, paper sacks and ropes products.
- Investment segment comprises investment and cash management for the Company's own account.

Investment segment is organised into two business units as follows:

- Investment in public and private equities & funds, mainly in the GCC and Asia.
- Investment and letting out of properties in the UAE.

The above segments are the basis on which the management monitors the operating results of these segments for the purpose of making decisions about resource allocation and performance assessment. Transactions between segments are eliminated on consolidation.

Effective from the current year, the Company has disclosed the manufacturing segment of cement, paper sacks and ropes product together. Corresponding items of segment information for earlier period has been restated.

24 SEGMENT INFORMATION (continued)

Segmental information is presented below:

	2016 *AED'000*	*2015* *AED'000*
Manufacturing		
Sales	**612,815**	636,875
Cost of sales	**(543,447)**	(560,043)
Gross profit	**69,368**	76,832
Miscellaneous income	**4,312**	723
Expenses	**(9,212)**	(8,915)
Net segment results	**64,468**	68,640
Investment		
Income from investment in private and public equities and funds	**28,075**	12,351
Impairment of available for sale investments	**(10,850)**	-
Interest income	**459**	992
Other expenses	**(1,929)**	(1,783)
	15,755	11,560
Income from investment properties	**5,216**	4,824
Depreciation	**(1,999)**	(1,994)
	3,217	2,830
Net segment results	**18,972**	14,390
Finance costs	**(10,722)**	(11,785)
Unallocated income and expenses-Head office	**(8,657)**	(9,145)
Unrealised profit on stock	**(19)**	(2)
Profit for the year	**64,042**	62,098

Other information

	2016			*2015*		
	Manufacturing AED'000	***Investment AED'000***	***Total AED'000***	*Manufacturing AED'000*	*Investment AED'000*	*Total AED'000*
Segment assets	**1,367,957**	**423,702**	**1,791,659**	1,397,617	453,507	1,851,124
Segment liabilities	**386,842**	**4**	**386,846**	458,738	214	458,952
Depreciation	**52,085**	**1,999**	**54,084**	49,418	1,994	51,412
Capital expenditure	**63,079**	**-**	**63,079**	51,126	63	51,189

24 SEGMENT INFORMATION (continued)

Geographical information

The following table presents revenue, asset and liability information regarding geographic segments for the years ended 31 December 2016 and 2015.

	2016			*2015*		
	Domestic AED'000	***International AED'000***	***Total AED'000***	*Domestic AED'000*	*International AED'000*	*Total AED'000*
Revenue	**473,501**	**139,314**	**612,815**	474,830	162,045	636,875
Investment income	**26,514**	**(7,542)**	**18,972**	16,426	(2,036)	14,390

	2016			*2015*		
	Domestic AED'000	***International AED'000***	***Total AED'000***	*Domestic AED'000*	*International AED'000*	*Total AED'000*
Assets	**1,635,071**	**156,588**	**1,791,659**	1,647,935	203,189	1,851,124
Liabilities	**332,945**	**53,901**	**386,846**	353,443	105,509	458,952
Capital expenditure	63,079	-	63,079	51,189	-	51,189

25 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Compensation of the key management personnel is as follows:

	2016 AED'000	*2015 AED'000*
Short term employee benefits and end of service benefits	**14,155**	14,274
Total compensation paid to key management personnel	**14,155**	14,274
Number of key management personnel	**22**	22
Director's fees	**2,500**	2,300

26 COMMITMENTS AND CONTINGENT LIABILITIES

Commitments
As at the year end, the Company has capital expenditure commitments contracted for with an estimated cost of AED Nil (2015: AED 27,275 thousand).

The Company has a commitment for AED 5,861 thousand (2015: AED 6,359 thousand) on account of investments made in securities and funds. The Company has to pay this amount as and when calls are made by the funds' managers/investee company.

Contingent liabilities
At 31 December 2016 the Company had contingent liabilities in respect of bank guarantees relating to performance bonds, from which it is anticipated that no material liabilities will arise, amounting to AED 2,942 thousand (2015: AED 2,631 thousand).

27 RISK MANAGEMENT

The Company's principal financial instruments include bank loans, trade payables and other payables. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as available for sale and trading investments, trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, equity price risk, credit risk, liquidity risk and foreign currency risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

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

The Company is exposed to interest rate risk on its interest bearing assets and liabilities (term loans and short term loans).

Details of maturities of the major classes of interest bearing financial instruments as at 31 December are as follows:

31 December 2016

	Less than 1 year AED'000	***1 to 5 years AED'000***	***Total AED'000***	***Effective interest rate***
Term loans	**(85,925)**	**(60,365)**	**(146,290)**	**3.50% to 4.5%**
Short term loans	**(88,038)**	**-**	**(88,038)**	**3.50% to 4.5%**
	(173,963)	**(60,365)**	**(234,328)**	

31 December 2015

	Less than 1 year AED'000	*1 to 5 years AED'000*	*Total AED'000*	*Effective interest rate*
Term loans	(85,925)	(127,137)	(213,062)	2.75% to 4.00%
Short term loans	(102,347)	-	(102,347)	3.50% to 4.00%
	(188,272)	(127,137)	(315,409)	

There is no significant difference between contractual repricing or maturity dates.

The following table demonstrates the sensitivity of the statement of income to reasonably possible changes in interest rates with all other variables held constant.

27 RISK MANAGEMENT (continued)

Interest rate risk (continued)
The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the Company's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December:

	Increase/ decrease in basis points	*Effect on profit for the year AED'000*
2016	**+25**	**(586)**
	-50	**1,172**
2015	+25	(788)
	- 50	1,576

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Company's investment portfolio.

To mitigate the equity price risk, the Company's available for sale investments and trading securities are managed by the Company's Chief Executive Officer under the supervision of the Board of Directors.

The effect on equity (arising on the available-for-sale investments) and on the income statement (arising on investments held for trading) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2016			*2015*		
	Change in equity price %	***Effect on equity AED'000***	***Effect on income statement AED'000***	*Change in equity price %*	*Effect on equity AED'000*	*Effect on income statement AED'000*
All investments: (Mainly Dubai Financial Market, Abu Dhabi Securities Exchange and Kuwait Stock Exchange)	**10**	**19,584**	**940**	10	21,334	962

Investments at cost
The effect on equity and on the income statement of unquoted equity securities cannot be determined due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at a reliable fair value. The effect of equity price changes can only be determined when such investments are disposed off or impaired.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company limits its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and obtaining bank guarantees wherever considered necessary.
- The Company's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

27 RISK MANAGEMENT (continued)

Credit risk (continued)
The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2016 AED'000	*2015 AED'000*
Trade and other receivables	**189,284**	199,549
Bank balances	**46,305**	60,355
Total credit risk exposure	**235,589**	259,904

For more details on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes.

The Company's financial position can be analysed by the following geographical regions:

	2016			*2015*		
	Assets AED'000	***Liabilities and equity AED'000***	***Contingent liabilities and commitments AED'000***	*Assets AED'000*	*Liabilities and equity AED'000*	*Contingent liabilities and commitments AED'000*
United Arab Emirates	**1,635,071**	**1,737,758**	**1,700**	1,647,935	1,745,615	6,713
Other Middle East countries	**69,090**	**43,692**	**962**	107,918	96,689	2,269
Rest of the world	**87,498**	**10,209**	**6,141**	95,271	8,820	27,283
Total	**1,791,659**	**1,791,659**	**8,803**	1,851,124	1,851,124	36,265

The table below provides information regarding the credit risk exposure of the Company's financial assets subject to credit risk by classifying assets according to the Company's internal credit rating of counterparties.

31 December 2016

	Neither past due nor impaired				
	High grade AED'000	***Standard grade AED'000***	***Sub-standard grade AED'000***	***Past due or impaired AED'000***	***Total AED'000***
Available for sale investments	-	**6,865**	-	-	**6,865**
Accounts receivable (excluding prepayments)	**210,565**	-	-	**8,213**	**218,778**
Bank balances and cash	**46,891**	-	-	-	**46,891**
	257,456	**6,865**	-	**8,213**	**272,534**
Less: Impairment provision					**(8,213)**
					264,321

27 RISK MANAGEMENT (continued)

Credit risk (continued)

31 December 2015

	Neither past due nor impaired				
	High grade AED'000	*Standard grade AED'000*	*Sub-standard grade AED'000*	*Past due or impaired AED'000*	*Total AED'000*
Available for sale investments	-	12,492	-	-	12,492
Accounts receivable (excluding prepayments)	221,226	-	-	7,992	229,218
Bank balances and cash	60,857	-	-	-	60,857
	282,083	12,492	-	7,992	302,567
Less: Impairment provision					(7,992)
					294,575

The following table provides an age analysis of trade receivables:

	Past due but not impaired					
	Up to 90 days AED'000	*90 to 120 days AED'000*	*Above 120 days AED'000*	*Total AED'000*	*Past due and impaired AED'000*	*Total AED'000*
31 December 2016	**121,223**	**32,509**	**38,534**	**192,266**	**(8,213)**	**184,053**
31 December 2015	133,101	37,939	34,737	205,777	(7,992)	197,785

The Company generally provides credit facility up to 90 days.

Where assets are classified as 'past due and impaired' with contractual payments in arrears are more than 180 days, an impairment adjustment is recorded in the statement of income for this. When the credit exposure is adequately secured or when the management is confident of recovery, arrears more than 180 days might still be classified as 'past due but not impaired", with no impairment adjustment recorded.

The Company sells its products to a large number of ready mix concrete producers, cement producing companies and cement retailers. Its 10 largest customers account for 63 % of outstanding accounts receivable at 31 December 2016 (2015: 66%).

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its commitments associated with trade payables and term loans when they fall due.

The Company limits its liquidity risk by ensuring adequate bank facilities are available.

27 RISK MANAGEMENT (continued)

Liquidity risk (continued)
The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

At 31 December 2016	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Total AED'000*
Accounts payable and accruals	**112,232**	**10,293**	-	**122,525**
Payable against construction of property, plant and equipment	-	**4,787**	-	**4,787**
Term loans and short term loans	**42,892**	**138,902**	**63,078**	**244,872**
Total	**155,124**	**153,982**	**63,078**	**372,184**

At 31 December 2015	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Total AED'000*
Accounts payable and accruals	92,869	17,638	-	110,507
Payable against construction of property, plant and equipment	100	5,935	-	6,035
Term loans and short term loans	54,027	141,776	132,222	328,025
Total	146,996	165,349	132,222	444,567

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As the UAE Dirham is currently pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

The tables below indicate the currencies to which the Company had significant exposure at 31 December on its available for sale investments and investment in associate which are denominated in Kuwaiti Dinars and Indian Rupees. The analysis calculates the effect of a reasonably possible movement of the currency rate against the AED, with all other variables held constant on the equity.

Currency	***Change in currency rate in % 2016***	***Effect on equity 2016 AED'000***	*Change in currency rate in % 2015*	*Effect on equity 2015 AED'000*
KD	**±10**	**6,266**	±10	5,724
INR	**±10**	**7,089**	±10	7,089

Capital management
The primary objective of the Company's capital management is to comply with the requirements in the UAE and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015. Capital comprises share capital, statutory reserve, general reserve and retained earnings and is measured at AED 1,317,890 thousand as at 31 December 2016 (2015: AED 1,300,585 thousand).

28 SOCIAL CONTRIBUTION

During the year, the Company made social contributions of AED 396 thousand (2015: 487 thousand).

29 FAIR VALUE

Determination of fair value and fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2016	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Financial assets				
Available for sale investments				
Quoted investments	-	-	-	-
Equity securities	**195,838**	-	-	**195,838**
	195,838	-	-	**195,838**
Trading securities:				
Equity securities	**9,398**	-	-	**9,398**
	9,398	-	-	**9,398**
Non-financial assets				
Investment properties (disclosure only)	-	-	**311,520**	**311,520**
Financial assets				
Derivative financial instruments				
Foreign currency contracts (included – in other receivables)	-	**119**	-	**119**

31 December 2015	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Financial assets				
Investments available for sale				
Quoted investments	-	-	-	-
Equity securities	213,341	-	-	213,341
	213,341	-	-	213,341
Trading securities:				
Equity securities	9,618	-	-	9,618
	9,618	-	-	9,618
Non-financial assets				
Investment properties (disclosure only)	-	-	308,383	308,383
Financial liability				
Derivative financial instruments				
Foreign currency contracts (included – in other payables)	-	(214)	-	(214)

Investments in unquoted available-for-sale shares are carried at cost less provision for impairment, where relevant as management believes that no reliable fair values are available.

29 FAIR VALUE (continued)

Financial instruments recorded at fair value
The Company is a party to forward foreign exchange contracts which are used to manage foreign exchange risks. All forward foreign exchange contracts are entered into with a bank outside the UAE.

As of 31 December 2016, the Company held a number of foreign exchange contracts with varying maturity dates upto 2017 under which the Company contracted to buy/sell (GBP/USD) a net exposure of GBP 1,000 thousand (2015: GBP 8,450 thousand).

As of 31 December 2016, the positive fair value of forward contracts amounted to AED 119 thousand is included under other receivables (2015: negative fair value of forward contracts amounted to AED 214 thousand was included under other payables).

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

Fair value of financial assets and liabilities not carried at fair value
The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Available for sale investments
For available for sale investments in unquoted private equities and funds, where no fair value is currently available, these are carried at cost less provision for impairment, where relevant.

Trade and other receivables and trade payables
For trade and other receivables and trade and other payables it is assumed that the carrying amounts approximate their fair values as these have short term maturities.

Fair value of non-financial assets and liabilities

Investment properties
Fair value of investment properties is determined by independent property consultants and brokers based on the market value of similar properties and the same is disclosed in Note 7.