Arkan Building Materials Company PJSC

Annual Report
2015

أركان
ARKAN

Arkan strives to play a key role in Abu Dhabi Government diversification drive to deliver the 2030 vision.

Arkan Building Material Company PJSC (ADX: ARKAN) is a public joint stock company based in Abu Dhabi and specializing in the manufacture of building and construction products. The group is 51% owned by SENAAT, an entity wholly owned by the Government of Abu Dhabi to promote sustainable industrial activity in Abu Dhabi with the remaining 49% of the shares are owned by UAE nationals and traded in Abu Dhabi Stock Exchange.

Chairman’s Message

Dear shareholders,

On behalf of Arkan Building Materials Co. PJSC (“Arkan” or “the group”) and its Board of Directors, it is my great privilege to present the achievements for 2015.

The past year has been a year of great achievements for Arkan and our subsidiaries.

Arkan is pleased to report continued strong financial performance, which is attributed to increased sales volume, business expansion into new markets, new innovative products and greater operational efficiencies across the group.

These results were achieved while Arkan developed its strategy to contribute to the Visionary Abu Dhabi 2030 Economic Planner and wider UAE, and will continue to do so for its next development phase.

As a result of its strategy and strong management, Arkan has continued to record strong growth in 2015. The group successfully increased revenues for the year to AED 876.9 million, representing a 17% increase from the AED 751.8 million recorded in 2014. Profits also increased to AED 101.1 million for 2015, representing a 26% increase from the AED 80.0 million recorded in 2014.The group’s net profit margin also increased to 11.5%.

Arkan made significant operational progress in 2015 across its various business units. The most notable example of this was the group’s new Al Ain Cement Factory, which enjoyed its first full year of operations in 2015. The new facility has significantly boosted the group’s operational performance and enabled Arkan to be a major player in the UAE cement industry.

Additionally, the group is continuing to move beyond cement as its primary product and now offers new innovative products and services in the building materials sector, such as dry mortar, kerbstones, high-end polished pavers and slag. The group has also expanded into new markets in the UAE, Middle East, Africa and Asia.

Looking ahead, Arkan plans to continue on this ambitious strategy and pursue greater operational efficiencies in all areas of our business.

To our Board of Directors, our senior management, our shareholders, and our employees, thank you for your continued support of the group.

We are highly optimistic for what 2016 will bring for Arkan, and look forward to the next phase of our journey.

On behalf of the Board of Directors,

Jamal Salem Al Dhaheri
Chairman of the Board of Directors

Arkan BoD Members List – 2016

Name	Title
1. Jamal Salem Obaid Salem AlDhaheri	Chairman
2. Jassem Saleh Busaibe	Vice President
3. Tariq Ahmed Al Wahedi	Board member
4. Ahmed Suhail Al Muhairi	Board member
5. Aqeel Abudulla Madhi	Board member
6. Khalifa Saif Darwish Al Ketbi	Board member
7. Mohammed Ali Abbas Al Fahim	Board member

Board of Directors' Report to Shareholders

On behalf of Arkan Building Materials Company's Board of Directors, I am pleased to present the board of directors' report for the year ending 31st December 2015, together with the audited consolidated financial statements of the same year.

The past year saw a number of achievements from our business units operating across various business areas. The growth of these portfolio companies reflects the diversification of Arkan from beyond cement, to being a building materials company with a wide range of products and services for Abu Dhabi, the UAE and peripheral markets.

The result of this strategy has had a positive impact on our financial performance for FY 2015.

Arkan's revenue increased by 17% in 2015 to AED 876.93 million compared to AED 751.80 million in 2014. The Company's net profit for the same period increased by 26% to AED 101.12 million compared to AED 80.01 in 2014. The significant increase in the business revenue and profits is mainly attributable to the successful commencement of commercial production of the new Al Ain Cement Factory which became operational in 2014 and recorded its first full year of production in 2015.

Review of Operations:

Cement Operations:
Revenue from Arkan's Cement segment increased to AED 676.30 million at the end of the 2015, compared to AED 542.09 million in the same period of 2014. Profit from this segment increased to AED 85.61 million as compared to AED 70.96 million. 2015 has seen a decrease in the market prices of cement due to competition compared to the same period last year which led to a squeeze in the profit margin.

The company has broadened its marketing reach by adding new customers and expanding to new markets thereby absorbing its new production capacity. With the higher cement capacity at its disposal, Al Ain Cement Factory have allowed the group to secure larger projects, larger customers in a broader geographical market thereby keeping our cement business well-positioned for 2016.

The maturation of cement segment will support Arkan's position as a leading cement company in the UAE and will further contribute to the group in the future.

Concrete Blocks:
The company's concrete block segment, Emirates Block Factories ("EBF") posted revenue of AED 75.06 million in 2015 compared to AED 62.93 million during 2014 due to various initiatives taken to address the production issues, increase the product range as well as penetrate market with an aggressive sales strategy. Loss from Blocks amounted to AED 4.55 million as compared to a loss of AED 2.95 million for the same period last year due to higher depreciation and staff cost resulting from capitalization of the new blocks factory and Increase in raw material prices.

Improved utilization of the new factory at Al Ain, is expected to absorb the higher depreciation and fixed cost thereby turning around the blocks business in 2016.

GRP Pipes:
Arkan's GRP Pipes segment ("GRP") posted sales revenue of AED 41.23 million during 2015 compared to the revenue of AED 35.37 million during 2014. GRP division made a profit of AED 6.19 million during 2015 compared to a loss of AED 982 thousand during 2014. During the year, the GRP business acquired major export customers in new markets and broadening the product portfolio that have contributed to the better volumes, which is also expected to continue during 2016.

The turnaround of the GRP segment to profitability represents the effective strategy of Arkan to develop this business unit, part of its larger diversification efforts to provide building materials to domestic and international markets.

PVC Pipes:
Arkan's PVC Pipes segment ("PVC") posted revenue of AED 59.53 million during 2015, compared to AED 59.91 million in 2014. Profit from PVC was AED 1.50 million at the end of 2015 as compared to a loss of AED 1.75 million at the end of 2014.

While revenues for the PVC segment were down slightly, the company increased its bottom line substantially through securing raw materials at lower prices and by implementing various improvements in the production process.

Looking ahead, the PVC factory has succeeded to establish a strong position in the market and has currently built up a very strong order book.

Bags:
Arkan's Bags segment (Bags) revenue was AED 24.81 million during 2015, compared to AED 36.61 million during 2014. Bags segment achieved a profit of AED 1.69 million during 2015 compared to AED 2.70 million profits during 2014 due to lower export sales volumes, particularly to counties affected by political unrest.

Liquidity

The Company had cash and cash equivalents of AED 60.94 million at the end of 31 December 2015.

Total Assets & Shareholders' Equity

The total assets of the Company reached AED 3.69 billion at the end of 2015. The value of shareholders' equity increased to AED 1.85 billion as of December 31, 2015, compared to AED 1.79 billion as of 31 December 2014.

Investments

The fair value of the shares portfolio as at 31 December 2015 was AED 987 thousand. The value of the investment in Emirates Real Estate Fund at the end of 31 December 2015 is AED 74.72 million as compared to AED 74.76 as of 31 December 2014. The share of profit from associates at the end of 2015 was AED 23.10 million compared to AED 15.30 million in the same period last year. Arkan also received a cash dividend of AED 20 million from this investment.

Future outlook

As we look forward to 2016, we remain optimistic for Arkan's future prospects to deliver value to our shareholders.

Additionally, Arkan will retain its position as a leading building materials company in the UAE, and will continue to expand into new markets in the Middle East, Asia and Africa as part of its geographical expansion.

Lastly, we will continue to exploit operational efficiencies in our production processes and capitalize on new facilities and equipment to retain a lean operating model, offering high-quality products and services to our customers, both domestic and international.

As we continue in our journey, we wish to express our gratitude to our shareholders for their continued confidence in our vision and our company strategy.

We look forward to what the future holds for Arkan and our portfolio companies.

On behalf of the Board of Directors:

Jamal Salem Al Dhaheri
Chairman of the Board of Directors
23 March 2016

Independent auditors' report

The Shareholders
Arkan Building Materials Company
(ARKAN) PJSC
Abu Dhabi

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Arkan Building Materials Company (ARKAN) PJSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 2 of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

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

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

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

iii) the Group has maintained proper books of accounts;

iv) the financial information included in the Report of the Directors, in so far as it relates to these consolidated financial statements, is consistent with the books of accounts of the Group;

v) as disclosed in note 14 to the consolidated financial statements, the Group has not purchased any shares during the financial year ended 31 December 2015;

vi) note 13 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

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

KPMG Lower Gulf Limited
Munther Dajani
Registration No. 268
23 March 2016

Consolidated statement of financial position

As at 31 December

	Note	2015 AED'000	2014 AED'000
Assets			
Non-current assets			
Property, plant and equipment	5	2,189,454	2,244,868
Goodwill	6	128,430	128,430
Other intangible assets	7	128,820	137,431
Investment in associates	8	225,954	222,852
Financial assets measured at fair value through other comprehensive income (FVTOCI)	9	74,724	74,760
Total non-current assets		**2,747,382**	**2,808,341**
Current assets			
Financial assets measured at fair value through profit or loss (FVTPL)	9	987	357
Inventories	10	384,011	343,241
Trade and other receivables	11	468,773	415,553
Prepayments		31,019	30,713
Amount due from related parties	13	514	873
Cash and bank balances	12	60,940	98,462
Total current assets		**946,244**	**889,199**
Total assets		**3,693,626**	**3,697,540**
Equity and Liabilities			
Equity			
Share capital	14	1,750,000	1,750,000
Statutory reserve	15	72,485	62,373
Capital reserve	16	3,783	3,783
Investment revaluation reserve	9	(70,011)	(69,975)
Retained earnings		90,804	43,545
Equity attributable to equity owners of the Company		**1,847,061**	**1,789,726**
Non-controlling interest		307	307
Total equity		**1,847,368**	**1,790,033**

Consolidated statement of financial position continued
As at 31 December

	Note	2015 AED'000	2014 AED'000
Non-current liabilities			
Borrowings	18	1,077,767	1,302,744
Deferred government grant	28	–	23,000
Loan from a related party	13	–	146,920
Provision for employees' end of service benefit	17	33,673	30,883
Total non-current liabilities		**1,111,440**	**1,503,547**
Current liabilities			
Borrowings	18	224,978	101,644
Trade and other payables	19	326,283	244,409
Amounts due to related parties	13	13,637	11,907
Loan from a related party	13	146,920	–
Deferred government grant	28	23,000	46,000
Total current liabilities		**734,818**	**403,960**
Total liabilities		**1,846,258**	**1,907,507**
Total equity and liabilities		**3,693,626**	**3,697,540**

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

Consolidated statement of profit or loss
for the year ended 31 December

	Note	2015 AED'000	2014 AED'000
Revenue	20	876,926	751,797
Direct costs	21	(662,630)	(589,913)
Gross profit		**214,296**	**161,884**
Selling and distribution expenses	22	(31,072)	(19,708)
General and administrative expenses	23	(107,187)	(103,673)
Other income	25	4,413	35,939
Income from government grant	28	46,000	46,000
Net change in fair value of financial assets measured at FVTPL		630	–
Share of profits of associates	8	23,102	15,300
Finance income	24	4,451	4,201
Finance cost	24	(53,512)	(59,930)
Profit for the year		**101,121**	**80,013**
Profit attributable to:			
Owners of the Company		101,121	80,013
Non-controlling interests		–	–
		101,121	**80,013**
Basic and diluted earnings per share (AED)	30	**0.058**	**0.046**

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

Consolidated statement of comprehensive income
for the year ended 31 December

	Note	2015 AED'000	2014 AED'000
Profit for the year		**101,121**	**80,013**
Other comprehensive income			
Net change in fair value of financial assets measured at FVTOCI	9	(36)	6,725
Total comprehensive income for the year		**101,085**	**86,738**
Total comprehensive income attributable to:			
Owners of the Company		101,085	86,738
		101,085	**86,738**

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

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

	Share capital AED'000	Statutory reserve AED'000	Capital Reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Net equity attributable to Owners of the Company AED'000	Non-controlling interest AED'000	Total AED'000
As at 1 January 2014	1,750,000	54,372	3,783	(76,700)	(28,467)	1,702,988	307	1,703,295
Total comprehensive income for the year								
Profit for the period	–	–	–	–	80,013	80,013	–	80,013
Other comprehensive income for the year	–	–	–	6,725	–	6,725	–	6,725
Total comprehensive income	–	–	–	6,725	80,013	86,738	–	86,738
Transaction with owners of the Company								
Transfer to statutory reserve	–	8,001	–	–	(8,001)	–	–	–
As at 31 December 2014	**1,750,000**	**62,373**	**3,783**	**(69,975)**	**43,545**	**1,789,726**	**307**	**1,790,033**
As at 1 January 2015	1,750,000	62,373	3,783	(69,975)	43,545	1,789,726	307	1,790,033
Total comprehensive income for the year								
Profit for the period	–	–	–	–	101,121	101,121	–	101,121
Other comprehensive income for the period	–	–	–	(36)	–	(36)	–	(36)
Total comprehensive income	–	–	–	(36)	101,121	101,085	–	101,085
Transaction with owners of the Company								
Transfer to statutory reserve	–	10,112	–	–	(10,112)	–	–	–
Dividend paid (refer note 32)	–	–	–	–	(43,750)	(43,750)	–	(43,750)
As at 31 December 2015	**1,750,000**	**72,485**	**3,783**	**(70,011)**	**90,804**	**1,847,061**	**307**	**1,847,368**

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

Consolidated statement of cash flows
for the year ended 31 December

	Note	2015 AED'000	2014 AED'000
Cash flows from operating activities			
Profit for the year		101,121	80,013
Adjustments for:			
Depreciation of property, plant and equipment	5	99,970	90,186
Amortisation of other intangible assets	7	8,611	8,611
Amortisation of deferred government grant	28	(46,000)	(46,000)
Dividend income	24	(4,366)	(3,940)
Finance income	24	(85)	(261)
Finance cost	24	53,512	59,930
Net change in fair value of financial assets measured at FVTPL	9	(630)	–
(Reversal)/provision for inventory obsolescence	10	(807)	25
Impairment loss recognised on trade receivables	11	6,040	1,170
Provision for employees' end of service benefit	17	5,382	2,238
Share of profits of associates	8	(23,102)	(17,890)
Operating cash flows before movements in working capital		**199,646**	**174,082**
Changes in			
– inventories	10	(39,963)	(94,961)
– trade and other receivables	11	(59,260)	(133,744)
– prepayments		(306)	(26,157)
– trade and other payables	19	81,609	39,111
– amounts due from related parties	13	359	34,025
– amounts due to related parties	13	1,730	1,100
Cash generated from/(used in) operating activities		**183,815**	(6,544)
Employees' end of service benefit paid	17	(2,592)	(1,492)
Net cash from/(used in) operating activities		**181,223**	**(8,036)**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(44,556)	(101,343)
Margin deposits encashed	12	3,678	20,000
Dividend received from investments held at FVTOCI	24	4,366	3,940
Interest received	24	85	261
Dividends received from associates	8	20,000	8,000
Net cash used in investing activities		**(16,427)**	**(69,142)**

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

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

	Note	2015 AED'000	2014 AED'000
Cash flows from financing activities			
(Repayment)/proceeds from bank borrowings – net	18	(101,643)	109,254
Interest paid	24	(53,247)	(58,828)
Dividend paid	32	(43,750)	–
Net cash (used in)/from financing activities		(198,640)	50,426
Net decrease in cash and cash equivalents		(33,844)	(26,752)
Cash and cash equivalents at the beginning of the year		94,784	121,536
Cash and cash equivalents at the end of the year	12	**60,940**	**94,784**

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

Notes to the consolidated financial statements

1 Legal status and principal activities

Arkan Building Materials Company PJSC ("Arkan" or the "Company") was incorporated in Abu Dhabi, United Arab Emirates ("UAE") as a Public Joint Stock Company pursuant to Ministerial Resolution No. 228 for the year 2006. General Holding Corporation PJSC ("SENAAT" or the "parent company") owns 51% of the Company's shares.

The principal activities of the Company include operating, trading and investing in industrial projects and commercial companies involved in the building materials sector.

These consolidated financial statements include the performance and financial position of the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in associates.

The principal activity, country of incorporation and operation, and ownership interest of the Company in the subsidiaries is set out below:

Subsidiary	Country of incorporation and operation	Ownership interest (%)		Principal activity
		2015	2014	
Emirates Blocks Factory	UAE	100	100	Production and sale of cement blocks.
Emirates Cement Factory	UAE	100	100	Production and sale of packed and bulk cement.
Al Ain Cement Factory	UAE	100	100	Production and sale of packed and bulk cement.
Anabeeb Pipes Manufacturing Factories	UAE	100	100	Production and sale of pipes and plastic and paper bags.
Hobas Gulf LLC	UAE	100	100	Develop market of glass fiber reinforced polyester pipes and systems.
Arkan Pavers LLC	UAE	100	100	Developing, manufacturing, distributing and selling hydraulic press large format commercial pavers.
Arkan Mining and Transportation	Oman	70	70	Production of mine lime stone.

On 10 November 2010, the Executive Council of Abu Dhabi approved the transfer of the equity shares of Anabeeb Pipes Manufacturing Factories ("Anabeeb"), to the Company in exchange for no consideration effective 1 July 2011 (see note 28).

On 27 May 2010, the Board of Directors approved the liquidation of Arkan Mining and Transportation. As of 31 December 2015, the liquidation is still to be completed.

On 23 June 2011, the Board of Directors approved a plan to secure a 70% investment in Dot Modern Oman, a mining company located in Oman. As of 31 December 2015, the acquisition is still to be completed.

1 Legal status and principal activities (continued)

On 30 April 2014, the Company acquired 100% control of Hobas Gulf LLC which was previously treated as an associate with shareholding of 51% (refer note 33).

On 16 September 2014, the Company acquired 100% control of Arkan Pavers LLC which was previously treated as a joint venture with shareholding of 60% (refer note 33).

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the applicable provision of the articles of association of the Company and the UAE Federal Law No. 2 of 2015. On 1 April 2015, UAE Federal Law No. 8 has been replaced with UAE Federal Law No 2 of 2015 being the Commercial Companies Law ("UAE Companies Law of 2015") and has come into force on 1 July 2015. However companies are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained therein. The Group is in the process of amending its Articles of Association and the same will be finalised in due course.

(b) Basis of measurement

These consolidated financial statements are prepared on the historical cost basis except for the following:

- Investments held at fair value through profit or loss are measured at fair value.
- Investments held at fair value through other comprehensive income are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirham ('AED'), which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

(d) New and amended International Financial Reporting Standards (IFRS) in issue but not yet effective

New and revised IFRS	Effective date
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Annual improvements 2012-2014 Cycle-various standards	1 January 2016
Improvements to IFRS 11, IFRS 10,IFRS 12, IAS 16, IAS 38, IAS 27, IAS 28	1 January 2016
Disclosure initiative – Amendments to IAS 1	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

Management anticipates that these amendments will be applied in the consolidated financial statements for the initial period when they become effective. Management has not yet had the opportunity to consider the potential impact of the application of these amendments.

2 Basis of preparation (continued)

(e) Use of estimates and judgements
The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are discussed in note 31.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all the years presented in these consolidated financial statements.

(a) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (as disclosed in note 1). Control is achieved where the Group has power over the investee; is exposed, or has rights, to variable returns from its involvement; and has the ability to use its power to affect its returns.

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests.

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

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

Changes in the Group's ownership interests in existing subsidiaries
Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3 Significant accounting policies (continued)

(b) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if it relates to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in the profit or loss.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3b above) less accumulated impairment losses, if any.

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described in note 3d below.

(d) Investments in associates and joint venture

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

3 Significant accounting policies (continued)

(e) Revenue

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

(i) Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

(ii) Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises of materials purchased, duties, freight charges and other related expenses and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventory to their present location and condition. Work-in-progress and finished goods comprise of cost of materials plus direct labour and attributable overheads. Work-in-progress is valued by reference to the stage of completion. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less any estimated selling expenses.

Allowance is made for obsolete and slow moving items.

3 Significant accounting policies (continued)

(g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation

Depreciation is charged to the profit or loss on a straight line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful lives for the current and the comparative periods are as follows:

	Years
Buildings	4 – 40
Plant and equipment	2 – 40
Furniture and fixtures	4
Motor vehicles	4 – 7

Depreciation methods, useful lives and residual values, if significant, are reassessed annually. Items of property, plant and equipment are depreciated from the date they are available for use. Freehold land is not depreciated.

Gain or loss arising from the disposal or retirement of an asset is determined as the difference between the net proceeds and the carrying amount of the asset sold or retired.

Capital work in progress

The Group capitalises all costs relating to the construction of tangible assets as capital work in progress. Upon completion, the related capital work-in-progress is transferred to the appropriate category of property, plant and equipment and is depreciated.

(h) Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses, if any.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss.

Intangible assets are amortised on a straight-line basis in the profit or loss over their estimated useful life, from the date they are available for use. The estimated useful life in respect of the intangible asset for the current and comparative period is twenty five years.

(i) Foreign currency transactions

For the purpose of these consolidated financial statements, UAE Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

3 Significant accounting policies (continued)

(j) Provision for employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final 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.

Monthly pension contributions are made in respect of UAE National and GCC employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(l) Financial instruments

Financial assets

All financial assets are recognised and derecognised on a trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

The Group made an early adoption of IFRS 9.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Classification of financial assets

The Group had the following financial assets as at the reporting date: 'cash and cash equivalents', 'loans and receivables', 'investments held at fair value through profit or loss (FVTPL)' and 'investments held at fair value through other comprehensive income (FVTOCI)'. The Group does not hold any held to maturity investments as at the reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at banks and call and term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and amounts due from related parties.

3 Significant accounting policies (continued)

(l) Financial instruments (continued)

Investments held at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or designated as at FVTPL.

Investments in equity instruments are mandatorily classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVTOCI at initial recognition as described below.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated as a hedging instrument or a financial guarantee.

Investments held at FVTOCI

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

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

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

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

3 Significant accounting policies (continued)

(m) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Government grants

Non-monetary government grants are recognised at nominal value where there is reasonable assurance that the asset will be received and the Group will comply with any attached conditions, where applicable.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Deferred income is recognised at the nominal value of shares granted to the Group. Deferred income is amortised over the period for which the Group is expected to obtain economic benefits as a result of the grant.

4 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors (the "Board") have overall responsibility for the Group and oversight of the Group's risk management framework. Management is responsible for developing and monitoring the Group's risk management policies. Management reports regularly to the Board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk consists of the following two elements:

- Interest rate risk generally expresses the expected capital loss in interest rate exposures that the Group would incur as a result of an increase in interest rates.

- Currency risk is the risk of losses because of changes in exchange rates.

Interest rate risk
The effective rates of interest on the Group's bank facilities are linked to the prevailing bank rates. There are no contractual re-pricing dates prior to maturity.

Currency risk
Currency risk is the risk of loss due to adverse movements in foreign exchange rates relating to transactions denominated in foreign currencies.

4 Financial risk management (continued)

Other price risk

Price risk relate to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity price risk arising from equity instruments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which is defined as net operating income divided by total equity. The Group is not subject to externally imposed capital requirements.

5 Property, plant and equipment

	Land and buildings AED'000	Plant and equipment AED'000	Furniture and fixtures AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost or valuation						
At 1 January 2014	477,003	889,823	39,677	25,075	1,848,422	3,280,000
Additions	2,689	11,813	1,452	1,093	75,330	92,377
Transfers	94,492	1,571,620	26,611	–	(1,692,723)	–
Acquisition of subsidiaries[1]	–	9,595	61	–	–	9,656
Transfer to other intangible assets	(1,500)	–	–	–	–	(1,500)
At 31 December 2014	**572,684**	**2,482,851**	**67,801**	**26,168**	**231,029**	**3,380,533**
At 1 January 2015	572,684	2,482,851	67,801	26,168	231,029	3,380,533
Additions	447	3,773	1,579	1,328	37,429	44,556
Transfers	1,874	29,663	–	–	(31,537)	–
At 31 December 2015	**575,005**	**2,516,287**	**69,380**	**27,496**	**236,921**	**3,425,089**
Accumulated depreciation						
At 1 January 2014	278,931	720,180	27,457	18,221	–	1,044,789
Charge for the year	9,927	72,414	6,089	1,906	–	90,336
Acquisition of subsidiaries[1]	–	675	15	–	–	690
Transfer to other intangible assets	(150)	–	–	–	–	(150)
At 31 December 2014	**288,708**	**793,269**	**33,561**	**20,127**	**–**	**1,135,665**
At 1 January 2015	288,708	793,269	33,561	20,127	–	1,135,665
Charge for the year	12,846	77,541	7,510	2,073	–	99,970
At 31 December 2015	**301,554**	**870,810**	**41,071**	**22,200**	**–**	**1,235,635**
Carrying amount						
At 31 December 2014	283,976	1,689,582	34,240	6,041	231,029	2,244,868
At 31 December 2015	**273,451**	**1,645,477**	**28,309**	**5,296**	**236,921**	**2,189,454**

[1] Refer note 33.

5 Property, plant and equipment (continued)

As at 31 December 2015, the capital work in progress primarily relates to dry mortar and phase 2 and phase 3 of the new cement factory that were under construction including finance cost of Nil *(2014: AED 9,311 thousand)* capitalised at an average interest rate of EIBOR + margin *(2014: EIBOR + margin)*. The Group has also capitalised payroll costs of AED 3,091 thousand during the year *(2014: AED 4,358 thousand)* that are directly attributable to the construction of the new factory. This is stated net of gross profit amounting to Nil *(2014: AED 2,212 thousand)* arising from the sale of materials produced during the year.

At 31 December 2015, properties with a carrying amount of AED 1,748,179 thousand *(2014: AED 1,810,573 thousand)* are secured through bank loans (see note 18).

Plant and equipment includes an amount of AED 21,870 thousand *(2014: AED 23,370 thousand)* pertaining to spare parts and an amount of AED 717,538 thousand *(2014: AED 705,366)* pertaining to fully depreciated items.

Included in the depreciation is an amount of AED 17,415 thousand *(2014: AED 17,377 thousand)* relating to the property, plant and equipment of Anabeeb which was granted in 2011(note 28).

6 Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments where the goodwill is monitored for internal management purposes. The aggregate carrying amount of goodwill allocated to each unit is as follows:

	2015 AED'000	2014 AED'000
Cement	114,380	114,380
Blocks	14,050	14,050
	128,430	**128,430**

The recoverable amounts of Cement and Blocks segment were based on their value-in-use determined by the management. The carrying amounts of both units were determined to be lower than their recoverable amounts.

Values in use were determined by discounting the future cash flows generated from the continuing use of the units. Cash flows were projected based on past experience and the five year forecasted business plan based on the following key assumptions:

	2015 %	2014 %
Discount rate	9	9
Terminal growth rate	**3**	**3**

The values assigned to the key assumptions represent management's assessment of future trends in the building materials industry and are based on both external and internal sources.

Based on the above factors, the recoverable amount of the segments are greater than the carrying amounts, indicating that goodwill is not impaired as at the end of the current reporting period.

Notes to the consolidated financial statements continued

7 Other intangible assets

	2015 AED'000	2014 AED'000
Cost		
As at 1 January	213,024	211,524
Transfer from property, plant and equipment	–	1,500
As at 31 December	**213,024**	**213,024**
Accumulated amortisation		
As at 1 January	75,593	66,982
Amortisation	8,611	8,461
Transfer from property, plant and equipment	–	150
As at 31 December	**84,204**	**75,593**
Carrying amount	**128,820**	**137,431**

Other intangible assets includes the right of use for a plot of land. The value of such right is the estimated rental amount for a plot of land on which one of the subsidiaries' factories is constructed and is being amortised over a period of 25 years.

8 Investment in associates

The Group has the following significant interests in associates:

Associate Name	Principal activities	Share in ownership (%) 2015	Share in ownership (%) 2014	Place of registration
Vision Hotel Apartment LLC	Ownership and management of hotel apartments	40	40	UAE
Deco Vision LLC	Property fit outs, decorations, ownership and management of apartments	40	40	UAE
Vision Furniture and Decoration Factory LLC	Carpentry of household, decoration, loose furniture and other woodwork	40	40	UAE
Deco Vision Properties LLC	Real estate enterprises investment	40	40	UAE
Vision Links Hotel Apartments LLC	Deluxe hotel apartments	40	40	UAE

The movement in the investment in associates is as follows:

	2015 AED'000	2014 AED'000
As at 1 January	222,852	212,962
Group's share of associates' profits for the year*	23,102	17,890
Dividends received during the year	(20,000)	(8,000)
As at 31 December	**225,954**	**222,852**

*During 2014 the Group's share of associates' profit for the year includes share of losses of AED 2,590 thousand that has been applied against the receivables from Hobas Gulf LLC and Arkan Pavers LLC and AED 300 thousand has been applied against investment of Hobas Gulf LLC. Hobas Gulf LLC and Arkan Pavers LLC were fully acquired as subsidiaries in 2014. Refer to note 1 for more details.

8 Investment in associates (continued)

Latest available financial information in respect of the Group's associates is summarised below:

	Deco Vision LLC		Vision Furniture and Decoration Factory LLC		Vision Hotel Apartments		Others		Total	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Total assets	465,483	398,754	67,984	64,959	22,381	22,475	7,908	15,484	563,756	501,672
Total liabilities	260,169	204,743	30,878	28,131	2,045	2,155	2,192	5,916	295,284	240,945
Net assets	**205,314**	**194,011**	**37,106**	**36,828**	**20,336**	**20,320**	**5,716**	**9,568**	**268,472**	**260,727**
Group's share of net assets	82,126	77,604	14,842	14,731	8,134	8,128	2,290	3,827	107,389	104,291
Goodwill on acquisition	79,883	79,883	9,857	9,857	28,821	28,821	–	–	118,561	118,561
Carrying amount	**162,009**	**157,487**	**24,699**	**24,588**	**36,955**	**36,949**	**2,290**	**3,827**	**225,954**	**222,852**
Revenue	468,115	317,724	74,915	69,965	14,492	14,740	25,377	25,226	582,899	427,655
Profit/(loss) for the year	48,303	36,932	11,778	11,160	1,517	1,346	(3,843)	(3,964)	57,755	45,474
Group's share of profit/ (loss) for the year	**19,321**	**14,773**	**4,711**	**4,464**	**607**	**538**	**(1,537)**	**(1,585)**	**23,102**	**18,190**

9 Investments

	2015 AED'000	2014 AED'000
Financial assets measured at FVTOCI	146,920	146,920
Investment revaluation reserve	(70,011)	(69,975)
Capital distribution received	(2,185)	(2,185)
Fair value	**74,724**	**74,760**

Financial assets measured at FVTOCI comprise an investment in a real estate fund within the UAE.
The movement during the year was as follows:

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	74,760	68,035
Changes in fair value during the year	(36)	6,725
Balance at the end of the year	**74,724**	**74,760**

This investment is under lien to secure Term loan 1 (see note 18).

	2015 AED'000	2014 AED'000
Current assets		
Financial assets measured at FVTPL	**987**	**357**

9 Investments (continued)

The Group's financial assets measured at FVTPL and financial assets measured at FVTOCI at the end of reporting date are detailed below.

	2015 AED'000	2014 AED'000
Investment in quoted UAE equity securities	987	357
Investment in unquoted UAE equity securities	74,724	74,760
	75,711	**75,117**

The fair value of the quoted UAE equity securities is based on quoted market prices at the end of the reporting period. The fair value of unquoted non-UAE securities have been arrived at based on the fair market value provided by the fund manager.

The geographical distribution of investments is as follows:

	2015 AED'000	2014 AED'000
Within UAE		
– Financial assets measured at FVTPL	74,724	74,760
– Financial assets measured at FVOCI	987	357
	75,711	**75,117**

The Group has not purchased any shares during the year.

10 Inventories

	2015 AED'000	2014 AED'000
Raw materials	121,672	137,548
Work in progress	139,194	102,705
Finished goods	34,300	33,831
Goods in transit	71	145
Spare parts and consumable materials	99,884	80,929
	395,121	355,158
Less: Allowance for impairment of inventories	(11,110)	(11,917)
	384,011	**343,241**

The movement in the allowance for impairment of inventories is as follows:

	2015 AED'000	2014 AED'000
Balance at 1 January	11,917	11,892
(Reversal)/charge for the year	(807)	25
Balance at 31 December	**11,110**	**11,917**

11 Trade and other receivables

	2015 AED'000	2014 AED'000
Trade receivables	453,146	393,698
Less: Allowance for impairment	(23,853)	(17,813)
	429,293	375,885
Advances to suppliers	14,293	15,561
Other receivables	25,187	24,107
	468,773	**415,553**

The average credit period on sale of goods or services rendered is ranging from 60 to 180 days depending on the business segment, security provided and the credit standing of the customer. The Group has adopted a policy of dealing only with creditworthy counterparties. Adequate credit assessment is made before accepting an order for services or sale of goods from any counterparty. At the end of the year, an amount of AED 103,480 thousand representing 23% of the trade receivables *(2014: AED 82,758 thousand representing 21% of the trade receivables)* is due from four customers *(2014: three customers)*. The Group considers these customers to be reputable and creditworthy. There are no other customers who represent more than 5% of the total balance of the receivables.

Included in the Group's trade receivables are customer balances with a carrying amount of AED 120,261 thousand *(2014: AED 117,853 thousand)* which are past due at the reporting date for which no allowance has been provided, as there was no significant change in credit quality of these customers and the amounts are still considered recoverable.

Ageing of trade receivables

	2015 AED'000	2014 AED'000
0 – 90 days	192,138	186,800
91 – 180 days	135,118	102,043
181 – 365 days	71,371	66,227
Greater than 365 days	54,519	38,628
	453,146	**393,698**

The movement in the allowance for impairment of trade receivables during the year was as follows:

	2015 AED'000	2014 AED'000
Balance at 1 January	17,813	16,643
Charge for the year	6,040	1,170
Balance at 31 December	**23,853**	**17,813**

The Group has provided for certain receivables above 180 days based on estimated irrecoverable amounts, determined after review of specific credit quality of customers and past default experience. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the customer from the date credit was initially granted up to the reporting date. Accordingly, management believes that there is no further provision required in excess of the allowance for doubtful debts.

Notes to the consolidated financial statements continued

12 Cash and bank balances

	2015 AED'000	2014 AED'000
Cash in hand	183	178
Cash at bank and current accounts	60,757	91,353
Short term deposits	–	6,931
Cash and bank balances in the statement of financial position	60,940	98,462
Margin deposits	–	(3,678)
Cash and cash equivalents in the statement of cash flows	**60,940**	**94,784**

The short term deposits bear an interest rate of Nil *(2014: 0.5%)* per annum. Margin deposits are held by banks against facilities provided.

13 Transaction and balances with related parties

In the ordinary course of business the Group enters into transactions at agreed terms and conditions which are carried out on commercially agreed terms, with other business enterprises or individuals that fall within the definition of a related party contained in International Accounting Standard 24. The Company has a related party relationship with the Group entities, its executive officers and business entities over which they can exercise significant influence or which can exercise significant influence over the Group.

The volume of related party transactions, outstanding balances and related expenses and income for the year are as follows:

	2015 AED'000	2014 AED'000
Amounts due from related parties		
Dot Modern Oman	234	234
Emirates Steel Industries PJSC	247	176
Others	33	463
	514	873
Amounts due to related parties		
General Holding Corporation PJSC (SENAAT)	13,637	11,907
Loan from a related party*		
Non-current	–	146,920
Current	146,920	–
	146,920	**146,920**

* The balance is payable to the parent company as a bullet payment on 31 December 2016 and bears interest at prevailing market rates.

Transactions with related parties:

	2015 AED'000	2014 AED'000
Interest on loan from parent company	3,244	3,354
Sales to a related party	1,578	1,225
Sales to an associate	**–**	**14,818**
Key management personnel compensation:		
Short term benefits	7,303	6,804
Post-employment benefits	532	513
	7,835	**7,317**

14 Share capital

Share capital comprises of 1,750,000 thousand authorised, issued and fully paid ordinary shares with a par value of AED 1 each.

The share capital includes 892,500 thousand shares at a par value of AED 1 each, which had been issued for in-kind consideration.

15 Statutory reserve

In accordance with UAE Federal Law No. 2 of 2015, the Company is required to transfer annually to a legal reserve account an amount equal to 10% of its net profit, until such reserve reaches 50% of the issued and fully paid-up share capital of the Company. This reserve is not available for distribution.

16 Capital reserve

Capital reserve represents the excess proceeds collected against offering cost for 857,500 thousand shares issued during 2006 at AED 0.025 per offer share after deducting actual expenses.

17 Provision for employees' end of service benefit

Movement in the provision for employees' end of service benefit is as follows:

	2015 AED'000	2014 AED'000
Balance at 1 January	30,883	30,137
Charge for the year	5,382	2,238
Paid during the year	(2,592)	(1,492)
Balance at 31 December	**33,673**	**30,883**

18 Borrowings

Borrowings are repayable as follows:

	2015 AED'000	2014 AED'000
Current		
Within one year	224,978	101,644
Non-current		
After one year	1,077,767	1,302,744
	1,302,745	**1,404,388**

	Outstanding at 31 December 2015				Outstanding at 31 December 2014		
	Maturity	Current AED'000	Non-current AED'000	Total AED'000	Current AED'000	Non-current AED'000	Total AED'000
Term loan 1	2016	90,000	–	90,000	–	90,000	90,000
Term loan 2	2017	133,333	1,066,667	1,200,000	100,000	1,200,000	1,300,000
Term loan 3	2023	1,645	11,100	12,745	1,644	12,744	14,388
		224,978	**1,077,767**	**1,302,745**	**101,644**	**1,302,744**	**1,404,388**

Term loan 1 of AED 90 million was obtained from an Islamic bank to fund the Group's share in real estate fund. The original maturity of the loan was 2012. The Group renegotiated the terms of the loan in 2011 and agreed on a bullet payment by 2016. The loan is secured by the Group's share in the real estate fund and bears a fixed rate of profit.

Term loan 2 was obtained by the Group to finance the construction of the Group's new cement factory. During 2014, the Group restructured the existing loan of AED 1,400 million into a 10 year term loan of AED 1,200 million and a three year revolving facility of AED 200 million. The term loan is payable over 9 years semiannually commencing from March 2016. The restructured loan carries interest at prevailing market rates. The unutilised portion of the revolving facility amounted to Nil as at 31 December 2015 *(31 December 2014: AED 100,000 thousand)*.

Term loan 3 of AED 14.8 million was obtained from a commercial bank for financing the cost of the new office of the Company. The loan is repayable in 36 equal quarterly installments from November 2014 at prevailing market rate.

19 Trade and other payables

	2015 AED'000	2014 AED'000
Trade payables	246,630	196,974
Accruals	68,572	36,563
Interest payable	4,044	3,779
Other payables	7,037	7,093
	326,283	**244,409**

The average credit period on purchase of goods and services is 30 to 180 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest is charged on trade and other payables.

20 Revenue

	2015 AED'000	2014 AED'000
Gross revenue from sale of goods	1,010,653	835,724
Less: sales discount	(133,727)	(83,927)
	876,926	**751,797**

21 Direct costs

	2015 AED'000	2014 AED'000
Raw materials	336,242	279,152
Fuel and electricity	128,649	94,903
Salaries and related expenses	63,267	56,091
Depreciation of property, plant and equipment	78,755	69,031
Other expenses	55,717	90,736
	662,630	**589,913**

22 Selling and distribution expenses

	2015 AED'000	2014 AED'000
Salaries and related expenses	18,287	14,945
Depreciation of property, plant and equipment	3,010	1,011
Other expenses	9,775	3,752
	31,072	**19,708**

23 General and administrative expenses

	2015 AED'000	2014 AED'000
Salaries and related expenses*	67,643	53,582
Depreciation of property, plant and equipment	18,205	20,294
Amortisation of other intangible assets	8,611	8,611
Allowance for impairment	–	910
Other expenses	12,728	20,276
	107,187	**103,673**

* Includes pension contribution of AED 4,683 thousand *(2014: AED 3,192 thousand)* to Abu Dhabi Retirement Pensions and Benefits Fund.

24 Finance income and cost

	2015 AED'000	2014 AED'000
Finance income		
Interest income on bank deposits	85	261
Dividend income	4,366	3,940
	4,451	4,201
Finance cost		
Interest expense on financial liabilities	(53,512)	(59,930)
Net finance cost	**(49,061)**	**(55,729)**

25 Other income

	2015 AED'000	2014 AED'000
Insurance claim *(refer below note)*	2,604	31,562
Transportation income – net	1,809	2,511
Others	–	1,866
	4,413	**35,939**

This amount relates to a claim of AED 2,604 thousand *(2014: AED 31,562 thousand)* as a result of a fire at the Emirates Cement Factory ("ECF") on 19 March 2014. The Group had appointed an external expert to estimate the incurred and potential loss of revenue and is in negotiations with the insurance company for the settlement of the losses. The factory resumed normal operations by April 2015.

26 Contingent liabilities and commitments

	2015 AED'000	2014 AED'000
Bank guarantees and letters of credit	16,792	42,721
Capital commitments	**22,965**	**330,562**

The above bank guarantees and letters of credit were issued in the normal course of business.

27 Segment reporting

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Board of Directors review internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segment:

- Cement segment, which includes production and sale of cement;
- Blocks segment, which includes production and distribution of blocks;
- Pipes segment, which includes the production and sale of Poly-Vinyl Chloride ("PVC") Pipes and Glass Reinforced Polyester ("GRP") Pipes; and
- Bags segment includes production and sale of paper bags.

Information regarding the results of each reportable segment is included below. Performance is measured on segment profit as included in the internal management reports that are reviewed by the Group's CEO and Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

27 Segment reporting (continued)

For the year ended 31 December 2015:

	Cement	Blocks	Pipes		Bags	Unallocated	Eliminations	Group
			GRP	PVC				
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
External revenues	676,297	75,059	41,228	59,529	24,813	–	–	876,926
Intersegment revenue	11,987	311	471	–	5,443	–	(18,212)	–
Interest expense	48,122	–	–	–	–	5,390	–	53,512
Depreciation and amortisation	65,830	11,480	5,321	1,688	207	24,055	–	108,581
Share of profit of equity accounted investees	–	–	–	–	–	23,102	–	23,102
Profit/(loss) for the year	85,613	(4,547)	6,188	1,504	1,668	10,695	-	101,121
Total assets	**2,500,459**	**224,224**	**95,996**	**122,928**	**43,167**	**1,552,586**	**(858,150)**	**3,681,210**
Total liabilities	**138,355**	**142,958**	**22,063**	**17,753**	**35,962**	**2,247,471**	**(770,720)**	**1,833,842**

As at 31 December 2015, included within unallocated assets is AED 229,799 thousand being construction work in progress, which primarily relates to dry mortar and phase 2 and phase 3 of the new cement factory. All construction work in progress will be allocated to the respective segments once completed.

For the year ended 31 December 2014:

	Cement	Blocks	Pipes		Bags	Unallocated	Eliminations	Group
			GRP	PVC				
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
External revenues	542,094	62,932	35,367	59,914	36,605	14,885	–	751,797
Intersegment revenue	22,247	–	–	–	64	–	(22,311)	–
Interest expense	54,998	–	–	–	–	4,932	–	59,930
Depreciation and amortisation	56,951	10,098	5,365	1,598	213	24,572	–	98,797
Share of profit of equity accounted investees	–	–	–	–	–	15,300	–	15,300
Profit/(loss) for the year	70,956	(2,950)	(982)	(1,754)	2,697	12,046	–	80,013
Total assets	**2,469,921**	**221,729**	**98,610**	**115,870**	**49,649**	**1,548,092**	**(806,331)**	**3,697,540**
Total liabilities	**274,521**	**141,899**	**21,592**	**21,354**	**27,730**	**2,122,472**	**(702,061)**	**1,907,507**

As at 31 December 2014, included within unallocated assets is an amount of AED 206,154 thousand being construction work in progress, which primarily relates to the new cement factory. All construction work in progress will be allocated to the respective segments once completed.

28 Grant of a subsidiary received

On 10 November 2010, the Executive Council of Abu Dhabi approved the transfer of the equity shares of Anabeeb Pipes Manufacturing Factories ("Anabeeb"), to the Group in exchange for no consideration. The effective date for the transfer was not specified at that time, but had since been decided by the management of the parent company and Arkan that this will be transferred to Arkan with an effective date of 1 July 2011. Prior to the transaction, Anabeeb was owned by the parent company.

The transfer of the assets, liabilities and operations of Anabeeb to the Company was based on the unaudited financial statements of Anabeeb at 1 July 2011 as follows:

	AED'000
Property, plant and equipment	85,448
Inventories	59,701
Trade and other receivables	49,510
Prepayments	582
Amounts due from related parties	20,883
Cash and cash equivalents	41,825
Provision for employees' end of service benefits	(5,091)
Trade and other payables	(20,391)
Amounts due to related parties	(345)
Net assets transferred	232,122

Management considers that the fair values of the assets and liabilities of Anabeeb as at 1 July 2011 approximate their carrying amounts.

This transaction has been accounted for as a grant from the Government of Abu Dhabi in accordance with the provisions of IAS 20 Government Grants at the value of the net assets acquired. This is recognised as deferred grant income and will be amortised over the average remaining economic useful life of the plant equipment acquired of five (5) years on the basis that the future benefits flowing to Arkan will be related to this equipment's ability to generate benefit.

The results of Anabeeb are included in the consolidated statement of profit or loss from the effective date of control of 1 July 2011. Depreciation amounting to AED 17,415 thousand has been recognised for the year ended 31 December 2015 *(2014: AED 17,377 thousand)* relating to the property plant and equipment of Anabeeb (note 5).

The movement in the deferred government grant is as follows:

	2015 AED'000	2014 AED'000
Balance at 1 January	69,000	115,000
Amortisation	(46,000)	(46,000)
Balance at 31 December	**23,000**	**69,000**

The deferred government grant is classified as follows:

	2015 AED'000	2014 AED'000
Current		
Within one year	23,000	46,000
Non-current		
After one year	–	23,000
	23,000	**69,000**

29 Financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group business.

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015 AED'000	2014 AED'000
Cash at bank	60,940	98,284
Trade and other receivables	454,480	399,992
Amounts due from related parties	514	873
Total	**515,934**	499,149

Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE and are highly regulated by the Central Bank. Trade receivables are secured by bank guarantees and letter of credits totalling AED 170,563 thousand *(2014: AED 153,252 thousand)* and post-dated cheques of AED 171,904 thousand *(2014: AED 99,552 thousand)*. Balances with banks are not secured by any collateral. The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value.

Liquidity risk

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding impact of netting arrangements:

	Less than 1 year AED'000	1 – 5 years AED'000	More than 5 years AED'000	Total AED'000
31 December 2015				
Non-interest bearing	339,920	–	–	339,920
Variable interest rate instruments	333,949	884,093	448,639	1,666,681
Fixed interest rate instruments	94,500	–	–	94,500
Total	**768,369**	**884,093**	**448,639**	**2,101,101**
31 December 2014				
Non-interest bearing	256,316	–	–	256,316
Variable interest rate instruments	150,656	1,044,515	616,600	1,811,771
Fixed interest rate instruments	4,500	94,500	–	99,000
Total	411,472	1,139,015	616,600	2,167,087

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group is exposed to interest rate risk on its term deposits and borrowings that carry both fixed and floating interest rates which are detailed in notes 12 and 18.

29 Financial instruments (continued)

Interest rate sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to variable interest rates mainly arising from borrowings, assuming the amount of liability at the end of the reporting period was outstanding for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by AED 14,631 thousand *(2014: decrease/increase by AED 15,251 thousand)* and capital work in progress would increase/decrease by Nil *(2014: AED 2,369 thousand)*.

Foreign currency risk
The Group's transactions are principally in UAE Dirhams or US Dollars, to which the UAE Dirham is pegged and therefore the Group does not face any foreign currency risks.

Fair values
The fair values of the Group's financial instruments are not materially different from their carrying values at the statement of financial position date.

As at 31 December, the Group held the following financial instruments measured at fair value:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
2015				
Financial assets at FVTPL	987	–	–	987
Financial assets at FVTOCI	–	74,724	–	74,724
	987	**74,724**	**–**	**75,711**
2014				
Financial assets at FVTPL	357	–	–	357
Financial assets at FVTOCI	–	74,760	–	74,760
	357	74,760	–	75,117

Fair value hierarchy
The Group 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

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

During the reporting year ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

29 Financial instruments (continued)

Capital structure
The capital structure of the Group consists of net debts (borrowings offset by bank and cash balances) and equity (comprising capital, reserves and retained earnings).

The capital structure at year end is as follows:

	2015 AED'000	2014 AED'000
Total borrowings	1,449,665	1,551,308
Less: cash and cash equivalents	(60,940)	(94,784)
Net debt	1,388,725	1,456,524
Total equity	1,847,368	1,790,033
Debt to equity ratio	75%	81%

30 Basic and diluted earnings per share

The following reflects the profit and share data used in the earnings per share computations:

	2015	2014
Profit attributable to equity holders of the parent (AED'000)	101,121	80,013
Weighted average number of shares in issue (thousands of shares)	1,750,000	1,750,000
Earnings per share (AED)	0.058	0.046

The Group does not have potentially dilutive shares and accordingly, diluted earnings per share is equal to basic earnings per share.

31 Accounting estimates and judgements

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgements that have the most significant effect on the amounts of assets and liabilities recognised in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Government grant of a subsidiary
Management has considered the provisions of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* in respect of the transfer of equity shares of Anabeeb Pipes Manufacturing Factories. Management has concluded that the Government of Abu Dhabi was acting in its capacity as a government rather than as a shareholder and therefore the transfer is recognised as a government grant.

Amortisation of deferred government grant
Management has estimated that the deferred government grant relating to Anabeeb will be amortised over the remaining economic useful life of the property, plant and equipment acquired of 5 years. Income from the grant of AED 46,000 thousand *(2014: AED 46,000 thousand)* has been recognised during the year.

Capitalisation of capital work in progress
In determining the timing to capitalise capital work in progress, management has considered the principles of IAS 16 *Property, Plant and Equipment*. On that basis, management considers the capability of the assets to operate in the manner intended by management, taking into consideration trends and level of production and salability of the products.

Classification of investments
In determining whether an investment qualifies as investment in subsidiary, associate or joint arrangement, the Group considered the detailed criteria of IFRS 10 Consolidated Financial Statements, *IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures*.

31 Accounting estimates and judgements (continued)

Classification of inventories

Management considered the provisions of IAS 2 *Inventories* and IAS 16 *Property, Plant and Equipment* in determining the classification of inventories such as major spare parts. Major spare parts and stand-by equipment would qualify for recognition as property, plant and equipment when the entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment could be used only in connection with a particular item of property, plant and equipment, they would be accounted for as property, plant and equipment. Accordingly, management reclassified AED 21.87 million *(2014: AED 23.37 million)* from inventories to property, plant and equipment.

Impairment of inventories

When inventories become old or obsolete, an estimate is made of their net realisable value. Inventory items are categorised based on their movements during the year, their physical condition and their expected future use, and accordingly, different proportions of the value of each category are recognised as an allowance for impaired inventory. Management performed a review of the spare parts and consumables which involved a line by line physical inspection of each inventory item to assess obsolescence and usability. The allowance for obsolete inventories at 31 December 2015 is AED 11,110 thousand *(2014: AED 11,917 thousand)*.

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. This determination of whether the receivables are impaired, entails management evaluating the specific credit and liquidity position of the customers and related parties and their historical recovery rates, including review of current economic environment. The difference between the estimated collectible amount and the recorded amount is recognised as an expense in the profit or loss. Any difference between the amounts expected and the amounts actually collected in the future periods is recognised in the profit or loss at the time of collection. Allowance for doubtful debts at 31 December 2015 is AED 23,853 thousand *(2014: AED 17,813 thousand)*.

Useful lives of property, plant and equipment and intangible assets

Management reviews the residual values and estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period in accordance with IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. Management determined that current year's expectations do not differ from previous estimates based on their review.

Impairment of investments in associates

Management regularly reviews its investments in associates for indicators of impairment. This determination of whether investments in associates are impaired entails Management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss. Management is satisfied that no impairment provision is necessary on its investments in associates.

Impairment of property, plant and equipment and capital work in progress

Properties classified under property, plant and equipment and capital work in progress are assessed for impairment based on the assessment of cash flows on individual cash-generating units when there is an indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discounting rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

31 Accounting estimates and judgements (continued)

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows for which certain assumptions are required, including management's expectation of:

- long term growth rates in cash flows;
- timing and quantum of future capital expenditure; and
- the selection of discount rates to reflect the risks involved.

The key assumptions used are detailed in note 6 of the consolidated financial statements. A change in the key assumptions and forecasts might result in an impairment of goodwill.

32 Dividend

On 29 April 2015 the Board of Directors approved and declared a dividend of AED 43,750 thousand representing 2.5% of the issued share capital *(31 December 2014: Nil)* to the existing shareholders as at 10 May 2015.

Notes to the consolidated financial statements continued

33 Acquisition of subsidiaries

On 30 April 2014, the Company acquired the third party shares of 49% and the voting interest in Hobas Gulf LLC, an existing equity-accounted investee. Further on 16 September 2014, the Company acquired the third party shares of 40% and the voting interest in Arkan Pavers LLC, also an existing equity-accounted investee. As a result, the Company's equity interest in Hobas Gulf LLC and Arkan Pavers LLC has increased from 51% and 60% respectively to 100% each.

Taking control of Hobas Gulf LLC and Arkan Pavers LLC is expected to provide the Group with increased capabilities of manufacturing glass fibre reinforced polyester pipes and production and sale of hydraulic press commercial pavers. The Group also expects to reduce costs through economies of scale.

For the year ending 31 December 2015, Hobas Gulf LLC and Arkan Pavers LLC contributed revenue of AED 13,945 thousand and AED 939 thousand and a net loss of AED 594 thousand and AED 751 thousand respectively to the Group's results.

Consideration transferred
The total consideration for acquiring the remaining equity interest in Hobas Gulf LLC and Arkan Pavers LLC is recorded in trade and other payables in these consolidated financial statements.

Identifiable assets and liabilities acquired
The following information summarises the fair value of the assets acquired and liabilities assumed at the acquisition date:

	Hobas Gulf LLC Acquisition date carrying values AED'000	Arkan Pavers LLC Acquisition date carrying values AED'000
Property, plant and equipment	46	8,846
Inventories	–	242
Trade and other receivables	21,372	280
Cash and cash equivalents	5,421	13
Trade and other payables	(22,228)	(2,408)
Amounts due to related parties	(3,576)	–
Total identifiable net assets acquired	**1,035**	**6,973**

Measurement of fair values
The fair value of assets and liabilities are not materially different from their carrying values.

Goodwill on acquisition of subsidiary
There is no goodwill acquired in the acquisition of Hobas Gulf LLC and Arkan Pavers LLC as the arrangement was to acquire the net worth of the assets after the share of accumulated losses from both the companies.

34 Date of Authorisation for issue

The consolidated financial statements were approved by the Company's Board of Directors and authorised for issue on *23 March 2016*