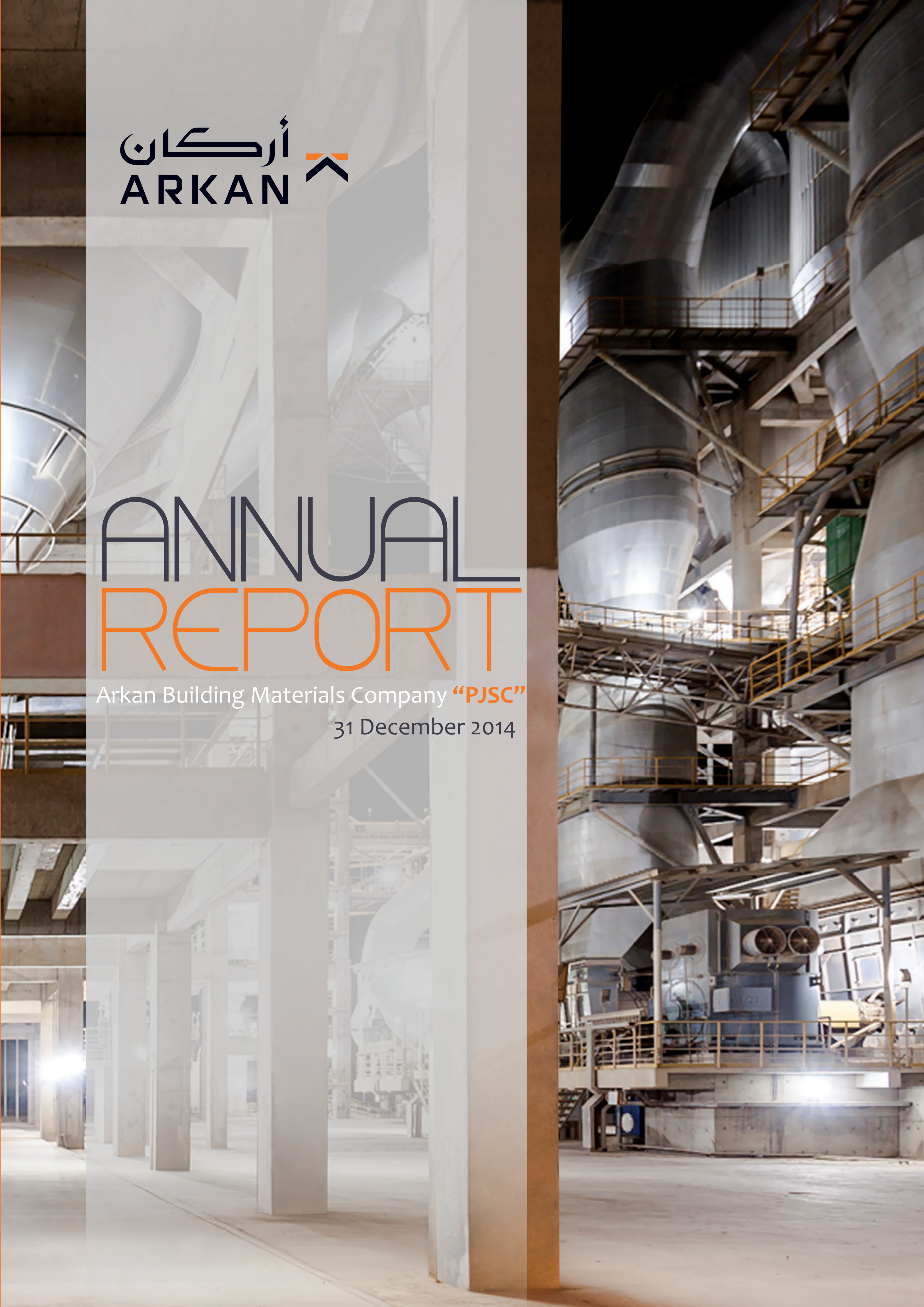

أركان
ARKAN

ANNUAL REPORT

Arkan Building Materials Company "PJSC"

31 December 2014

أركان
ARKAN
BUILDING MATERIALS COMPANY (ARKAN) PJSC

Annual Report 2014

Contents

أركان
ARKAN
BUILDING MATERIALS COMPANY (ARKAN) PJSC

Chairman Speech

Dear Shareholders;

Allow me to ask Allah almighty to grant the deceased, His Excellency Eng. Suhail Mubarak Al Ameri, the former Arkan's Chairman and former Senaat's CEO with mercy and forgiveness. Who passed away on Monday the 23th of March 2015. By his death we lost one of the most loyal and sincere citizens of our country, as he devoted his life to serve the Nation and the benefit of the citizens.

On behalf of Arkan Building Materials Board of Directors, I am pleased to announce that Arkan achieved a net profit of AED 80 million in 2014 compared to AED 43 million in 2013 which is an increase of 87%. Revenue increased by 94% from 387 million in 2013 to AED 752 million in 2014. This high level of consistent profitability in the past years has helped Arkan to wipe the losses of AED 675 million which resulted from worldwide economic crisis during 2008 and 2009.

Such achievements would not be possible without the strategic direction set by the Board of Directors and the efforts spent by the Executives and employees. For the last six years Arkan's Board of Directors have taken stringent measures to enhance the existing operations with a special focus on sales growth and cost optimization. On the other hand, their insight has been instrumental in completing ongoing projects to enhance the portfolio of building materials offered by the Company. They have also taken an active role in the growth of the Company by approving new initiatives and several new projects.

Last but not least; The Company successfully restructured its debt with a lower interest cost over a longer period to match its cash generation, thereby reducing the debt burden of the company.

It is with pride, that I announce the successful operation of the new Al Ain Cement Factory. The plant is performing at its expected capacity and has started contributing positively, as promised, to the results of your Company. At the same time; the two new block plants are completed, commissioned and operational to supply a wide range of concrete products from hollow blocks, insulated blocks to a variety of pavers. Further, the construction of the Dry Mortar Plant is completed and is now under commissioning.

With all of our assets operational, we are enjoying the success of our well thought strategy of becoming a building materials manufacturer. Although we have faced a challenging environment with falling demand and prices, Arkan has prospered by partnering with key customers to take advantage of its position and product offering. Ranging from cement to blocks and pipes, your Company provides a complete list of basic building materials for the construction of commercial, residential and infrastructure projects. It is through this sole source product offering that Arkan has developed a niche in this very competitive construction landscape, which has led us to increase our market share.

Your company's growth and development in the market has seen new milestones in 2014. The new plant, Al Ain Cement Factory, was inaugurated by his Highness Sheikh Hamed bin Zayed al Nahyan - Member of the Executive Council of Abu Dhabi and Chairman of Abu Dhabi Crown Prince's Court in November 2014. During the inauguration ceremony Arkan's new brand was also revealed – acknowledging its commitment to achieving its vision. During the next few years your Company will embark in showing its stakeholders the Arkan Way.

In conclusion, I would like to thank the members of the Board, Arkan's Executive Management, Employees, and all Stakeholders for their invaluable contribution to Arkan. I would specially like to reiterate my gratitude towards our Shareholders for their continued trust and support.

Khaled Mohammed Balama
Vice Chairman

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 2014, together with the audited consolidated financial statements of the same year.

Arkan's revenue soared by 94% in 2014 to AED 751.80 million compared to AED 387.45 million in 2013. The Company's net profit for the same period increased by 87% to AED 80.01 million compared to AED 42.76 in 2013. The stellar increase in the business revenue and profits is mainly attributable to the successful commencement of commercial production of the new Al Ain Cement Factory in 2014.

Review of Operations:

Cement Operations:

Revenue from Arkan's Cement segment increased to AED 542.09 million at the end of the 2014, compared to AED 166.45 million in the same period of 2013. Profit from this segment increased to AED 70.96 million as compared to AED 30.57 million. The Al Ain Cement Factory commenced its commercial production from March 2014 and has achieved the required production parameters from the first month of operations. The company also has broadened its marketing reach by adding new customers and expanding to new markets thereby absorbing its enhanced production capacity. With the additional cement capacity at its disposal, Arkan is anticipated to be the market leader in the cement industry in the coming years.
The Al Ain Cement Factory has contributed revenue of AED 466.37 million and profit of AED 53.71 million from its commercial production since March 2014. 2014 has seen a decrease in the market prices of cement compared to the same period last year which led to a squeeze in the profit margin. As the planned projects in the UAE gets into the implementation phase, the company expects the prices to improve thereby helping the profitability margins.

Concrete Blocks:

The company's concrete block segment, Emirates Block Factories ("EBF") posted revenue of AED 62.93 million in 2014 compared to AED 68.74 million during 2013 due to lower sales volumes. Loss from Blocks amounted to AED 2.95 million as compared to a profit of AED 3.55 million for the same period last year due to lower sales volume.

During the year Arkan acquired the shareholder's stake of 49% in the Arkan Stonevue joint venture, thereby making the Large Format Pavers business an integral part of Arkan's concrete blocks business. Arkan is currently taking the necessary steps to streamline the production and sales for the Large Format Pavers business which shall enhance the product range and profitability of the Concrete Blocks business.

GRP Pipes:

Arkan's GRP Pipes segment (GRP) posted sales revenue of AED 35.37 million during 2014 compared to the revenue of AED 42.59 million during 2013. GRP division incurred a loss of AED 982 thousand during 2014 compared to a loss of AED 1.32 million during 2013.

During the year 2014, Arkan has acquired the Joint Ventures partner's share in the marketing JV giving it full control over the marketing of GRP products. This action has led to positive results as Arkan has captured new export markets thereby expanding the geographical reach of the products.

Arkan continues to focus on product development on GRP based products to enhance its product range and improve the utilization of the production facilities.

PVC Pipes:

Arkan's PVC Pipes segment (PVC) posted revenue of AED 59.91 million during 2014, compared to AED 69.99 million in 2013. Loss from PVC was AED 1.75 million at the end of 2014 as compared to a profit of AED 2.96 million at the end of 2013. Although PVC pipes segment has a strong pipeline of confirmed orders, delivery has slowed down due to infrastructure project delays resulting in decrease in profitability.

The replacement of some of the old obsolete machines with new higher capacity machines in 2013 resulted in increasing the capacity and productivity of the factory. The PVC factory has succeeded to establish a strong position in the market and has currently built up a very strong order book.

The company expects the delayed infrastructure projects to be implemented during 2015; hence product dispatches are expected to increase.

Bags:

Arkan's Bags segment (Bags) revenue was AED 31.35 million during 2014, compared to AED 39.58 million during 2013. Bags segment achieved a profit of AED 2.70 million during 2014 compared to AED 3.25 million profits during 2013 due to lower selling prices.

Liquidity

The Company had cash and cash equivalents of AED 98.46 million at the end of 31 December 2014. During the period, the company restructured its Term Loan by resulting in a lower interest rate, longer tenor and more flexible financing structure. This will reduce the company's interest cost and significantly reduce the yearly repayment burden in the coming years.

Total Assets & Shareholders' Equity

The total assets of the Company reached AED 3.70 billion at the end of 2014. The value of shareholders' equity increased to AED 1.79 billion as of December 31, 2014, compared to AED 1.70 billion as of 31 December 2013.

Investments

The fair value of the shares portfolio as at 31 December 2014 was AED 357 thousand. The value of the investment in Emirates Real Estate Fund at the end of 31 December 2014 increased significantly to AED 74.76 million as compared to AED 68.04 as of 31 December 2013. The share of profit from associates at the end of 2014 was AED 15.30 million compared to AED 8.46 million in the same period last year. Arkan also received a cash dividend of AED 8 million from this investment.

On behalf of the Board of Directors:

Suhail Mubarak Al Ameri
Chairman of the Board of Directors
18 March 2015

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 2014, 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 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of 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 these 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 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2013 were audited by another auditor who issued an unmodified opinion on those consolidated financial statements on 17 March 2014.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit; the financial statements comply, in all material respects, with the applicable requirements of the UAE Federal Law No. 8 of 1984 (as amended) and the Articles of Association of the Company; that proper financial records have been kept by the Group; a physical count of inventories was carried out by the management in accordance with established principles; and the contents of the Report of the Directors which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2014, which may have had a material adverse effect on the business of the Group or its consolidated financial position.

KPMG Lower Gulf Limited
Munther Dajani
18 Mar 2015

أركان
ARKAN
BUILDING MATERIALS COMPANY (ARKAN) PJSC

Consolidated statement of financial position

As at 31 December

Assets	Notes	2014 AED'000	2013 AED'000
Non - current assets			
Property, plant and equipment	5	**2,244,868**	2,235,211
Goodwill	6	**128,430**	128,430
Other intangible assets	7	**137,431**	144,542
Investment in associates	8	**222,852**	212,962
Financial assets measured at fair value through other comprehensive income (FVTOCI)	9	**74,760**	68,035
Total non-current assets		**2,808,341**	2,789,180
Current assets			
Financial assets measured at fair value through profit or loss (FVTPL)	9	**357**	357
Inventories	10	**343,241**	248,305
Trade and other receivables	11	**415,553**	282,979
Prepayments		**30,713**	4,556
Amount due from a related parties	13	**873**	34,898
Cash and bank balances	12	98,462	145,214
Total current assets		**889,199**	716,309
Total assets		**3,697,540**	3,505,489

Consolidated statement of financial position

As at 31 December

Equity and Liabilities	Notes	2014 AED'000	2013 AED'000
Equity			
Share capital	14	**1,750,000**	1,750,000
Statutory reserve	15	**62,373**	54,372
Capital reserve	16	**3,783**	3,783
Investment revaluation reserve	9	**(69,975)**	(76,700)
Retained earnings		**43,545**	(28,467)
Net equity attributable to equity owners of the Company		**1,789,726**	1,702,988
Non controlling interest		**307**	307
Net equity		**1,790,033**	1,703,295
Non – current liabilities			
Borrowings	18	**1,302,744**	1,054,723
Deferred government grant – net of current portion	29	**23,000**	69,000
Loan from a related party	13	**146,920**	146,920
Provision for employees' end of service benefit	17	**30,883**	30,137
Total non-current liabilities		**1,503,547**	1,300,780
Current liabilities			
Borrowings	18	**101,644**	240,411
Trade and other payables	19	**244,409**	204,196
Amounts due to related parties	13	**11,907**	10,807
Deferred government grant	29	**46,000**	46,000
Total current liabilities		**403,960**	501,414
Total liabilities		**1,907,507**	1,802,194
Total equity and liabilities		**3,697,540**	3,505,489

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

Consolidated statement of profit or loss

for the year ended 31 December

	Notes	2014 AED'000	2013 AED'000
Revenue	20	751,797	387,347
Direct costs	21	(589,913)	(316,457)
Gross profit		161,884	70,890
Selling and distribution expenses	22	(19,708)	(17,765)
General and administrative expenses	23	(103,673)	(68,913)
Other income	25	35,939	4,850
Income from government grant	29	46,000	46,000
Share of profits of associates	8	15,300	8,456
Finance income	24	4,201	3,991
Finance cost	24	(59,930)	(4,747)
Profit for the year	26	80,013	42,762
Profit attributable to :			
Owners of the Company		80,013	42,762
Non-controlling interests		-	-
		80,013	42,762
Basic and diluted earnings per share (AED)	31	0.046	0.024

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

Consolidated statement of comprehensive income

for the year ended 31 December

	Notes	**2014 AED'000**	2013 AED'000
Profit of the year		**80,013**	42,762
Other comprehensive income			
Net change in fair value of investment in equity instruments measured at FVTOCI	9	**6,725**	4,340
Total comprehensive income for the year		**86,738**	47,102
Total comprehensive income attributable to:			
Owners of the Company		**86,738**	47,102
Non-controlling interests		**-**	-
		86,738	47,102

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

BUILDING MATERIALS COMPANY (ARKAN) PJSC

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 2013	1,750,000	50,096	3,783	(81,040)	(66,953)	1,655,886	307	1,656,193
Profit for the period	-	-	-	-	42,762	42,672	-	42,762
Other comprehensive income for the period	-	-	-	4,340	-	4,340	-	4,340
Total comprehensive income for the period	-	-	-	4,340	42,762	47,012	-	47,012
Transfer to statutory reserve	-	4,276	-	-	(4,276)	-	-	-
As at 31 December 2013	**1,750,000**	**54,372**	**3,783**	**(76,700)**	**(28,467)**	**1,702,988**	**307**	**1,703,295**
As at 1 January 2014	1,750,000	54,372	3,783	(76,700)	(28,467)	1,702,988	307	1,703,295
Profit for the period	-	-	-	-	80,013	80,013	-	80,013
Other comprehensive income for the period	-	-	-	6,725	-	6,725	-	6,725
Total comprehensive income for the period	-	-	-	6,725	80,013	86,738	-	86,738
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**

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

Consolidated statement of cash flows

for the year ended 31 December

	2014 AED'000	2013 AED'000
Cash flows from operating activities		
Profit for the year	80,013	42,762
Adjustments for:		
Depreciation of property, plant and equipment	90,186	46,206
Amortisation of other intangible assets	8,611	8,461
Amortisation of deferred government grant	(46,000)	(46,000)
Dividend income	(3,940)	(3,785)
Finance income	(261)	(206)
Finance cost	59,930	4,747
Gain on sale of property, plant and equipment	-	(120)
Provision for inventory obsolescence	25	422
Impairment loss recognised on trade receivables	1,170	590
Provision for employees' end of service benefit	2,238	4,887
Share of profits of associates	(17,890)	(8,456)
Operating cash flows before movements in working capital	174,082	49,508
Changes in		
- inventories	(94,961)	(33,563)
- trade and other receivables	(133,744)	(91,376)
- prepayments	(26,157)	1,752
- trade and other payables	40,213	98,642
- amounts due from related parties	34,025	(31,214)
- amounts due to related parties	1,100	2,073
Cash used in operating activities	(5,442)	(4,178)
Employees' end of service benefit paid	(1,492)	(4,546)
Net cash used in operating activities	(6,934)	(8,724)
Cash flows from investing activities		
Purchase of property, plant and equipment	(101,343)	(145,208)
Payments for short term investment/deposit held for more than 3 months	20,000	(15,938)
Proceeds from disposal of property, plant and equipment	-	141
Dividend received from equity accounted investees	3,940	6,240
Interest received	261	3,991
Payments for investment in associates	8,000	(540)
Net cash used in operating activities	(69,142)	(151,314)

Consolidated statement of cash flows (continued)

for the year ended 31 December

	2014 AED'000	2013 AED'000
Cash flows from financing activities		
Proceeds from bank borrowings - net	**109,254**	159,522
Interest paid	**(59,930)**	(4,747)
Net cash from financing activities	**49,324**	154,775
Net decrease in cash and cash equivalents	**(26,752)**	(5,263)
Cash and cash equivalents at the beginning of the year	**121,536**	126,799
Cash and cash equivalents at the end of the year (note 12)	**94,784**	121,536

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") (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
		2014	2013	
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.
Anabeeb Pipes Manufacturing Factories	UAE	100	100	Production and sale of pipes and plastic and paper bags.
Hobas Gulf LLC	UAE	100	51	Develop market of glass fiber reinforced polyster pipes and systems.
Arkan Stonevue LLC	UAE	100	60	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 29).

On 27 May 2010, the Board of Directors approved the liquidation of Arkan Mining and Transportation. As of 31 December 2014, 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 2014, 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 34).

On 16 September 2014, the Company acquired 100% control of Arkan Stonevue LLC which was previously treated as a joint venture with shareholding of 60% (refer note 34).

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply where appropriate with the relevant provisions of the UAE Federal Law No. 8 of 1984 (as amended) and the Articles of Association of the Company.

(b) Basis of measurement

These 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 IFRSs	Effective date
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
Annual improvements 2010-2012 Cycle, IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and 38 and IAS 24	1 July 2014
Annual improvements 2011-2013 Cycle, IFRS 1, IFRS 3, IRFS 13, and IAS 40	1 July 2014

Management anticipates that these amendments will be applied in the consolidated financial statement 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 32.

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.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated 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 even if this results in the non-controlling interests having a deficit balance.

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.

(b) Business combinations

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

3 Significant accounting policies (continued)

(b) Business combinations (continued)

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

3 Significant accounting policies (continued)

(b) Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. The policy described above is applied to all business combinations that take place on or after 1 January 2011.

(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

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3 Significant accounting policies (continued)

(d) Investments in associates and joint venture (continued)

The results, assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

3 Significant accounting policies (continued)

(d) Investments in associates and joint venture (continued)

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(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.

3 Significant accounting policies (continued)

(e) Revenue (continued)

(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 cost of materials purchased, duties, freight charges and other related expenses and where applicable, direct labor 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 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.

(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.

3 Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

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 five years.

3 Significant accounting policies (continued)

(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.

(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

Non-derivative financial assets

The Group initially recognises deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

3 Significant accounting policies (continued)

(l) Financial instruments (continued)

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. All of the Group's non-derivative financial assets fall within the category of loans and receivables.

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.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and at banks and call 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.

Financial assets at FVTPL
Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as 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 a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3 Significant accounting policies (continued)

(l) Financial instruments (continued)

Financial assets at FVTPL (continued)
A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of profit or loss.

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

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 investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation 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 and loss.

3 Significant accounting policies (continued)

(l) Financial instruments (continued)

Non-derivative financial liabilities
The Group initially recognises borrowings on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise due to related parties and trade and other payables.

(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.

3 Significant accounting policies (continued)

(m) Impairment (continued)

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 (“BOD” or 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 BOD 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.

4 Financial risk management

Liquidity risk (continued)

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.

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 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.

Notes to the consolidated financial statements

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 2013	462,635	881,081	35,039	25,027	1,730,402	3,134,184
Additions	449	4,270	4,629	112	146,555	156,015
Transfers	13,919	7,053	40	31	(21,043)	-
Transfer to a related party	-	-	-	-	(7,492)	(7,492)
Disposals	-	(2,581)	(31)	(95)	-	(2,707)
At 31 December 2013	**477,003**	**889,823**	**39,677**	**25,075**	**1,848,422**	**3,280,000**
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 subsidiaries1	-	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**
Accumulated depreciation						
At 1 January 2013	271,561	687,602	26,110	15,996	-	1,001,269
Charge for the year	7,370	35,159	1,357	2,320	-	46,206
Disposals	-	(2,581)	(10)	(95)	-	(2,686)
At 31 December 2013	**278,931**	**720,180**	**27,457**	**18,221**	**-**	**1,044,789**
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 subsidiaries1	-	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**
Carrying amount						
At 31 December 2013	198,072	169,643	12,220	6,854	1,848,422	2,235,211
At 31 December 2014	**283,976**	**1,689,582**	**34,240**	**6,041**	**231,029**	**2,244,868**

Refer note 34.

5 Property, plant and equipment (continued)

As at 31 December 2014, the capital work in progress mainly represented new factories that were under construction including finance cost of AED 9,311 thousand (2013: AED 59,537 thousand) capitalised at an average interest rate of EIBOR + margin (2013: EIBOR + margin). The Group has also capitalised payroll costs of AED 4,358 thousand during the year (2013: AED 7,176 thousand) that are directly attributable to the construction of the new factory. This is stated net of gross profit amounting to AED 2,212 thousand (2013: AED 37,924) arising from the sale of materials produced during the year.

At 31 December 2014, properties with a carrying amount of AED 1,810,573 thousand (2013: AED 747,285 thousand) are held to secure bank loans (see note 18).

Plant and equipment include an amount of AED 23,370 thousand (2013: AED 25,107 thousand) pertaining to capital spares.

Included in the depreciation is an amount of AED 17,377 thousand (2013: AED 17,733 thousand) relating to the property plant and equipment of Anabeeb which were granted
(note 29).

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:

	2014 AED'000	2013 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.

Notes to the consolidated financial statements

6 Goodwill (continued)

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 business plan and were based on the following key assumptions:

	2014 %	2013 %
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, thus indicating that goodwill is not impaired as at the end of the current reporting period.

7 Other intangible assets

	2014 AED'000	2013 AED'000
Cost		
As at 1 January	**211,524**	211,524
Transfer from property, plant and equipment	**1,500**	-
As at 31 December	**213,024**	211,524
Accumulated amortization		
As at 1 January	**66,982**	58,521
Amortisation	**8,461**	8,461
Transfer from property, plant and equipment	**150**	-
As at 31 December	**75,593**	**66,982**
Carrying amount	**137,431**	144,542

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 (%)		Place of registration
		2014	2013	
Vision Hotel Apartment LLC	Ownership and management of hotel apartments	**40**	40	UAE
Deco Vision LLC	Property fit outs and decorations and ownership and management of apartments	**40**	40	UAE
Vision Furniture Factory LLC	Carpentry of household and decoration and 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:

	2014 AED'000	2013 AED'000
As at 1 January	**212,962**	210,206
Additions during the year	-	540
Group's share of associates' profits for the year	**17,890**	8,456
Dividends received during the year	**(8,000)**	(6,240)
As at 31 December	**222,852**	**212,962**

*includes share of losses of AED 2,590 thousand has been applied against the receivables from Hobas Gulf LLC and Arkan Stonevue LLC respectively. The associate and a joint venture were fully acquired as subsidiaries in 2014. Refer to note 1 for more details.

8 Investment in associates and a joint venture (continued)

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

	Deco Vision LLC		Vision Furniture and Decoration Factory LLC		Deco Vision Properties LLC		Total	
	2014 AED'000	2013 AED'000	**2014 AED'000**	2013 AED'000	**2014 AED'000**	2013 AED'000	**2014 AED'000**	2013 AED'000
Total assets	**398,245**	341,014	64,959	45,047	12,266	12,124	501,672	459,896
Total liabilities	**204,234**	170,335	28,131	14,879	1,830	2,822	240,945	225,069
Net assets	**194,011**	170,679	93,090	30,168	10,436	9,302	260,727	234,827
Group's share on net assets	**77,604**	68,272	37,236	12,067	4,174	3,721	104,291	94,401
Goodwill on acquisition	**79,883**	79,883	9,857	9,857	-	-	118,561	118,561
Carrying amount	**157,487**	148,155	47,093	21,924	4,174	3,721	222,852	212,962
Revenue	**317,724**	193,529	69,965	43,930	15,552	11,593	427,655	315,976
Profit/(loss) for the year	**36,932**	21,858	11,160	4,580	(1,636)	(4,198)	45,474	20,583
Group's share on profit/ (loss) for the year	**14,773**	8,743	4,464	1,832	(654)	(1,679)	18,190	8,456

9 Investments

Non-current assets	2014 AED'000	2013 AED'000
Financial assets measured at fair value through other comprehensive income (FVTOCI)	146,920	146,920
Investments revaluation reserve	(69,975)	(76,700)
Capital distribution received during the year	(2,185)	(2,185)
Fair value	74,760	68,035

Financial assets measured at fair value through other comprehensive income (FVTOCI) comprise an investment in a real estate fund within the UAE. The movement during the year was as follows:

	2014 AED'000	2013 AED'000
Balance at the beginning of the year	68,035	63,695
Changes in fair value during the year	6,725	4,340
Balance at the end of the year	74,760	68,035

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

Current assets	2014 AED'000	2013 AED'000
Financial assets measured at fair value through profit or Loss (FVTPL)	357	357

There is no movement in financial assets measured at fair value through profit or loss (FVTPL) during the years ended 31 December 2014 and 2013.

The geographical distribution of investments is as follows:

	2014 AED'000	2013 AED'000
Within UAE	75,117	68,392
Outside UAE	-	-
	75,117	68,392

9 Investments (continued)

The Group's financial assets measured at fair value through profit or loss (FVTPL) and financial assets measured at fair value through other comprehensive income (FVTOCI) at the end of reporting date are detailed below.

	2014 AED'000	2013 AED'000
Investment in quoted UAE equity securities	357	357
Investment in unquoted UAE equity securities	74,760	68,035
	75,117	68,392

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.

10 Inventories

	2014 AED'000	2013 AED'000
Raw materials	137,548	93,162
Work in progress	102,705	74,918
Finished goods	33,831	24,067
Goods in transit	145	253
Spare parts and consumable materials	80,929	67,797
	355,158	260,197
Less: Allowance for impairment of inventories	(11,917)	(11,892)
	343,241	248,305

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

	2014 AED'000	2013 AED'000
Balance at 1 January	11,892	12,035
Charge for the year	25	422
Write-off during the year	-	(565)
Balance at 31 December	11,917	11,892

10 Inventories (continued)

Management performed a review of the spare parts and consumables which involved a line by line physical inspection of the each inventory item to assess obsolescence and usability. Based on the result of the review, allowance for inventory obsolescence of AED 25 thousand (2013: AED 422 thousand) was charged during the year.

11 Trade and other receivables

	2014 AED'000	2013 AED'000
Trade receivables	**393,698**	276,073
Less: Allowance for impairment	**(17,813)**	(16,643)
	375,885	259,430
Advances to suppliers	**15,561**	17,333
Other receivables	**24,107**	6,216
	415,553	282,979

The average credit period on sale of goods or services rendered is ranging from 30 to 120 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 82,758 thousand representing 21% of the trade receivables (2013: AED 37,040 thousand representing 7% of the trade receivables) is due from three customers (2013: two customer). 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 117,853 thousand (2013: AED 81,423 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.

11 Trade and other receivables (continued)

Ageing of trade receivables	2014 AED'000	2013 AED'000
0 – 90 days	**186,800**	137,569
91 – 180 days	**102,043**	68,108
181 – 365 days	**66,227**	42,671
Greater than 365 days	**38,628**	27,725
	393,698	276,073

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

	2014 AED'000	2013 AED'000
Balance at 1 January	**16,643**	16,053
Charge for the year	**1,170**	590
Balance at 31 December	**17,813**	16,643

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.

12 Cash and bank balances

	2014 AED'000	2013 AED'000
Cash in hand	**178**	309
Cash at bank and current accounts	**91,353**	116,103
Short term deposits	**6,931**	28,802
	98,462	145,214
Deposits with maturity of more than 3 months from date of placement	-	(20,000)
Margin deposits	**(3,678)**	(3,678)
Cash and cash equivalents	**94,784**	121,536

The short term deposits bear an interest rate of 0.5% (2013: 0.75%) 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:

Due from related parties	**2014 AED'000**	2013 AED'000
Hobas Gulf LLC	-	28,594
Arkan Stonevue LLC	-	6,028
	-	34,622

Due from affiliates

Dot Modern Oman	**234**	234
Emirates Steel Industries PJSC	**176**	-
Others	**463**	42
	873	276

Due to parent company

General Holding Corporation PJSC (SENAAT)		
Non-current	**146,920**	146,920
Current	**11,907**	10,462
	158,827	157,382

Due to an affiliate

Emirates Steel Industries PJSC	-	345

The non-current balance due to the parent company consists of an interest bearing loan. The loan has no fixed repayment date and bears interest at prevailing market rates.

13 Transaction and balances with related parties (continued)

Transactions with related parties:	2014 AED'000	2013 AED'000
Interest on loan from parent company	**3,354**	3,453
Sales to an associate	**14,818**	41,706
Key management personnel compensation:		
Short term benefits	**6,804**	7,125
Post-employment benefits	**513**	574
	7,317	7,699

14 Share capital

Share capital comprises 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 have been issued for in-kind consideration.

15 Statutory reserve

In accordance with the UAE Federal Law No. 8 of 1984 (as amended) concerning Commercial Companies and the Company's Articles of Association, 10% of the profit is transferred to a non-distributable statutory reserve until the reserve reaches 50% of the paid up capital.

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:

	2014 AED'000	2013 AED'000
Balance at beginning of the year	**30,137**	30,946
Charge for the year	**2,238**	4,887
Paid during the year	**(1,492)**	(4,546)
Transfer to trade and other payables	-	(1,150)
Balance at end of the year	**30,883**	30,137

18 Bank borrowings

Bank borrowings are repayable as follows:

	2014 AED'000	2013 AED'000
Current		
Within one year	**101,644**	240,411
Non-current		
After one year	**1,302,744**	1,054,723
	1,404,388	1,295,134

18 Bank borrowings (continued)

		Outstanding at 31 December 2014			Outstanding at 31 December 2013		
	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**	**100,000**	**1,200,000**	**1,300,000**	240,000	950,334	1,190,334
Term loan 3	**2023**	**1,644**	**12,744**	**14,388**	411	14,389	14,800
		101,644	**1,302,744**	**1,404,388**	240,411	1,054,723	1,295,134

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 the period, 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 AED 100 million as at 31 December 2014
(31 December 2013: Nil).

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

	2014 AED'000	2013 AED'000
Trade payables	**196,974**	123,755
Interest payables	**3,779**	2,677
Accruals and other payables	**43,656**	77,764
	244,409	204,196

The average credit period on purchase of goods and services is 30 to 120 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

	2014 AED'000	2013 AED'000
Gross revenue from sale of goods	**835,724**	424,397
Less: sales discount	**(83,927)**	(37,050)
	751,797	387,347

21 Direct costs

	2014 AED'000	2013 AED'000
Raw materials	**279,152**	134,699
Salaries and related expenses	**56,091**	49,550
Depreciation of property, plant and equipment	**69,031**	37,217
Fuel and electricity	**94,903**	45,264
Other expenses	**90,736**	49,727
	589,913	316,457

22 Selling and distribution expenses

	2014 AED'000	2013 AED'000
Salaries and related expenses	14,945	11,735
Depreciation of property, plant and equipment	1,011	1,569
Other expenses	3,752	4,461
	19,708	17,765

23 General and administrative expenses

	2014 AED'000	2013 AED'000
Salaries and related expenses	53,582	39,688
Depreciation of property, plant and equipment	20,294	5,908
Amortisation of other intangible assets	8,611	8,461
Allowance for impairment	910	590
Other expenses	20,276	14,266
	103,673	68,913

24 Finance income and cost

Finance income	2014 AED'000	2013 AED'000
Interest income on bank deposits	261	206
Dividend income	3,940	3,785
	4,201	3,991
Finance cost		
Interest expense on financial liabilities	(59,930)	(4,747)
Net finance cost	(55,729)	(756)

25 Other income

	2014 AED'000	2013 AED'000
Insurance claim receivable (refer below note)	31,562	-
Transportation income – net	2,511	2,876
Gain on sale of property, plant and equipment	-	120
Others	1,866	1,854
	35,939	4,850

This amount relates to a claim of AED 31,562 thousand (2013: Nil) 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. Management estimates that the factory will be able to resume normal operations by April 2015.

26 Profit for the year

	2014 AED'000	2013 AED'000
Staff costs	124,618	100,973
Depreciation of property, plant and equipment	90,186	46,206

27 Contingent liabilities and commitments

	2014 AED'000	2013 AED'000
Bank guarantees and letters of credit	42,721	43,425
Capital commitments	330,562	389,507

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

28 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.

28 Segment reporting (continued)

For the year ended 31 December 2014:

	Cement	Blocks	Pipes GRP	Pipes PVC	Bags	Unallocated	Eliminations	Group
	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	-	-	751,797
Intersegment revenue	22,247	-	-	-	64	-	(22,311)	-
Profit/(loss) for the period	70,956	(2,950)	(982)	(1,754)	2,697	12,046	-	80,013

	Cement	Blocks	Pipe GRP	Pipe PVC	Bags	Unallocated	Eliminations	Group
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
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 AED 206,154 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.

28 Segment reporting (continued)

For the year ended 31 December 2013:

	Cement	Blocks	Pipe GRP	Pipe PVC	Bags	Unallocated	Eliminations	Group
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
External revenues	166,450	68,737	42,594	69,988	39,578	-	-	387,347
Intersegment revenue	6,898	-	-	-	3,604	-	(10,502)	-
Profit/(loss) for the period	30,572	3,553	(1,315)	2,956	3,250	3,746	-	42,762

	Cement	Blocks	Pipe GRP	Pipe PVC	Bags	Unallocated	Eliminations	Group
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Total assets	317,400	165,280	113,389	114,367	63,137	3,565,163	(833,247)	3,505,489
Total liabilities	105,893	28,296	29,398	18,097	34,914	2,078,658	(493,062)	1,802,194

As at 31 December 2013, included within unallocated assets is an amount of AED 1,826,319 thousand being construction work and progress, which primarily relates to the new cement factory. All construction work in progress will be allocated to the respective segments once completed.

29 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 has 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 SENAAT.

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 17,377 thousand has been recognised for the year ended 31 December 2014 (2013: AED 17,733 thousand) relating to the property plant and equipment of Anabeeb (Note 5).

29 Grant of a subsidiary received (continued)

The movement in the deferred government grant is as follows:

	2014 AED'000	2013 AED'000
Balance at 1 January	115,000	161,000
Amortisation	(46,000)	(46,000)
Balance at 31 December	**69,000**	115,000

The deferred government grant is classified as follows:

	2014 AED'000	2013 AED'000
Current		
Within one year	46,000	46,000
Non-current		
After one year	23,000	69,000
	69,000	115,000

30 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:

	2014 AED'000	2013 AED'000
Cash at bank	98,284	144,905
Loans and receivables	400,865	300,544
Total	**499,149**	445,449

30 Financial instruments (continued)

Credit risk (continued)

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 totalling AED 153,252 thousand (2013: AED 153,252 thousand) and post-dated cheques of AED 99,552 thousand (2013: AED 57,401 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 2014				
Non- interest bearing	256,316	-	-	256,316
Variable interest rate instruments	101,644	1,359,664	-	1,461,308
Fixed interest rate instruments	-	90,000	-	90,000
Total	357,960	1,449,664	-	1,807,624
31 December 2013				
Non- interest bearing	215,003	-	-	215,003
Variable interest rate instruments	240,411	1,111,643	-	1,352,054
Fixed interest rate instruments	-	90,000	-	90,000
Total	455,414	1,201,643	-	1,657,057

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 bank borrowings that carry both fixed and floating interest rates which are detailed in notes 12 and 18.

30 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 bank 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 2014 would decrease/increase by AED 15,251 thousand (2013: decrease/increase by AED 148 thousand) and capital work in progress would increase/decrease by AED 2,369 thousand (2013: AED 13,469 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
2014				
Financial assets at FVTPL	357	-	-	357
Financial assets at FVTOCI	-	74,760	-	74,760
	357	74,760	-	75,117
2013				
Financial assets at FVTPL	357	-	-	357
Financial assets at FVTOCI	-	68,035	-	68,035
	357	68,035	-	68,392

30 Financial instruments (continued)

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 2014 and 2013, 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.

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:

	2014 AED'000	2013 AED'000
Total borrowings	**1,551,308**	1,442,054
Less: cash and cash equivalents	**(94,784)**	(121,536)
Net debt	**1,456,524**	1,320,518
Total equity	**1,790,033**	1,703,295
Debt to equity ratio	**81%**	78%

31 Basic and diluted earnings per share

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

	2014	2013
Profit attributable to equity holders of the parent (AED'000)	**80,013**	42,762
Weighted average number of shares in issue (thousands of shares)	**1,750,000**	1,750,000
Earnings per share (AED)	**0.046**	0.024

31 Basic and diluted earnings per share (continued)

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

32 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.

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 Company considered the detailed criteria of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures.

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 23.37 million (2013: AED 3.5 million) from inventories to property, plant and equipment.

32 Accounting estimates and judgements (continued)

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 2014 is AED 11,917 thousand (2013: AED 11,892 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 2014 is AED 17,813 thousand (2013: AED 16,643 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 its 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.

32 Accounting estimates and judgements (continued)

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.

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 on Note 6 of the consolidated financial statements. A change in the key assumptions and forecasts might result in an impairment of goodwill.

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 (2013: AED 46,000 thousand) has been recognised during the year.

33 Comparative figures

Certain comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in the condensed consolidated interim financial information.

34 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 Stonevue LLC, also an existing equity-accounted investee. As a result, the Company's equity interest in Hobas Gulf LLC and Arkan Stonevue LLC has increased from 51% and 60% respectively to 100% each.

Taking control of Hobas Gulf LLC and Arkan Stonevue 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 2014, Hobas Gulf LLC and Arkan Stonevue 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 Stonevue 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 Stonevue 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

34 Acquisition of subsidiaries (continued)

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 Stonevue LLC as the arrangement was to acquire the net worth of the assets after the share of accumulated losses from both the companies.