

**Sharjah Cement and Industrial
Development Company (PSC)**

FINANCIAL STATEMENTS

31 DECEMBER 2014



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SHARJAH CEMENT AND INDUSTRIAL DEVELOPMENT COMPANY (PSC)

Report on the Financial Statements

We have audited the accompanying financial statements of Sharjah Cement and Industrial Development Company (PSC) (the "Company"), which comprise the statement of financial position as at 31 December 2014 and the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Company and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SHARJAH CEMENT AND INDUSTRIAL DEVELOPMENT COMPANY (PSC)
(continued)**

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company; an inventory count was duly carried out; and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Signed by:
Ashraf Abu-Sharkh
Partner
Registration No. 690

8 March 2015

Sharjah, United Arab Emirates

Sharjah Cement and Industrial Development Company (PSC)

INCOME STATEMENT

For the year ended 31 December 2014

	<i>Notes</i>	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Sales		675,327	624,592
Cost of sales		<u>(631,566)</u>	<u>(572,032)</u>
GROSS PROFIT		43,761	52,560
General and administration expenses		(14,418)	(15,642)
Selling and distribution costs		(4,678)	(4,835)
Finance costs	3	(13,698)	(16,063)
Investment income	4	49,407	32,841
Miscellaneous income		2,581	206
PROFIT FOR THE YEAR	3	<u>62,955</u>	<u>49,067</u>
Basic earnings per share	5	<u>AED 0.11</u>	<u>AED 0.08</u>
Diluted earnings per share	5	<u>AED 0.11</u>	<u>AED 0.08</u>

The attached notes 1 to 28 form part of these financial statements.

Sharjah Cement and Industrial Development Company (PSC)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Notes</i>	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Profit for the year		<u>62,955</u>	<u>49,067</u>
Other comprehensive income			
<i>Other comprehensive income that could be reclassified to profit or loss in subsequent periods:</i>			
Increase in fair value of available for sale investments	9 & 17	28,407	129,857
Net realised gain on disposal of available for sale investments transferred to income statement	4 & 17	(30,045)	(16,803)
Reversal of loss on sale of available for sale investments	17	(9,236)	(16,025)
Other comprehensive income for the year		<u>(10,874)</u>	<u>97,029</u>
Total comprehensive income for the year		<u><u>52,081</u></u>	<u><u>146,096</u></u>

The attached notes 1 to 28 form part of these financial statements.


Sharjah Cement and Industrial Development Company (PSC)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 AED'000	2013 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	855,974	809,293
Investment properties	7	110,733	112,996
Investment in associate	8	42,125	36,322
Available for sale investments	9	336,111	358,907
		<u>1,344,943</u>	<u>1,317,518</u>
Current assets			
Inventories	10	277,848	313,479
Accounts receivable and prepayments	11	196,692	203,144
Trading securities	12	15,665	12,199
Bank balances and cash	13	54,009	37,474
		<u>544,214</u>	<u>566,296</u>
TOTAL ASSETS		<u><u>1,889,157</u></u>	<u><u>1,883,814</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	552,958	552,958
Statutory reserve	15	334,091	334,091
General reserve	16	226,373	226,373
Retained earnings		166,072	171,652
Cumulative changes in fair value	17	105,344	116,218
Proposed cash dividend	18	55,296	27,648
Total equity		<u>1,440,134</u>	<u>1,428,940</u>
Non-current liabilities			
Term loan	19	143,762	44,100
Employees' end of service benefits	20	25,214	22,968
		<u>168,976</u>	<u>67,068</u>
Current liabilities			
Accounts payable and accruals	21	133,566	140,054
Payable against construction of property, plant and equipment	22	6,341	11,021
Bank overdrafts	13	149	5,801
Current portion of term loan	19	65,713	14,700
Short term loans	23	74,278	216,230
		<u>280,047</u>	<u>387,806</u>
Total liabilities		<u>449,023</u>	<u>454,874</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,889,157</u></u>	<u><u>1,883,814</u></u>

Approved by the Board of Directors on 8 March 2015.


 Ahmed Abdulla Al Noman
 Chairman


 P.J. Batavia
 Chief Executive

The attached notes 1 to 28 form part of these financial statements.

Sharjah Cement and Industrial Development Company (PSC)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 AED '000	2013 AED '000
OPERATING ACTIVITIES			
Profit for the year		62,955	49,067
Adjustments for:			
Depreciation on property, plant and equipment	6	43,954	46,144
Depreciation on investment properties	7	1,994	1,994
Provision for employees' end of service benefits	20	2,676	3,716
Profit on sale of property, plant and equipment		(316)	(84)
Net gain on disposal of investment properties	4	(4,831)	-
Net gain on disposal of available for sale investments	4 & 17	(30,045)	(16,803)
Net loss/(gain) on sale of trading securities	4	282	(727)
Changes in fair value of trading securities	4	622	307
Dividend and other investment income	4	(15,435)	(15,618)
Interest expense	3	13,698	16,063
		<u>75,554</u>	<u>84,059</u>
Working capital changes:			
Inventories		35,631	(24,754)
Receivables		6,452	(8,852)
Payables		(10,646)	(2,207)
Cash from operations		<u>106,991</u>	<u>48,246</u>
Employees' end of service benefits paid	20	(430)	(1,045)
Net cash from operating activities		<u>106,561</u>	<u>47,201</u>
INVESTING ACTIVITIES			
Net movement in trading securities		(4,370)	(1,377)
Additional Investment in associate		(5,803)	-
Purchase of property, plant and equipment	6	(90,785)	(67,322)
Payable against construction of property, plant and equipment		(4,680)	2,292
Dividend and other investment income	4	15,435	15,618
Purchase of available for sale investments	9	(66,061)	(54,675)
Proceeds from disposal of available for sale investments	9	108,028	76,003
Proceeds from sale of property, plant and equipment		466	84
Proceeds from sale of investment properties		5,100	-
Net cash used in investing activities		<u>(42,670)</u>	<u>(29,377)</u>
FINANCING ACTIVITIES			
Proceeds from term loans		165,375	73,500
Repayment of term loans		(14,700)	(14,700)
Proceeds from new short term loans		307,441	316,895
Short term loans repaid		(449,393)	(360,110)
Dividends paid		(38,580)	(26,576)
Interest paid		(11,847)	(13,869)
Net cash used in financing activities		<u>(41,704)</u>	<u>(24,860)</u>
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>22,187</u>	<u>(7,036)</u>
Cash and cash equivalents at 1 January		<u>31,673</u>	<u>38,709</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	<u><u>53,860</u></u>	<u><u>31,673</u></u>

The attached notes 1 to 28 form part of these financial statements.

Sharjah Cement and Industrial Development Company (PSC)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital AED '000 (Note 14)	Statutory reserve AED '000 (Note 15)	General reserve AED '000 (Note 16)	Retained earnings AED '000	Cumulative changes in fair value AED '000 (Note 17)	Proposed cash dividend AED '000 (Note 18)	Total AED '000
At 1 January 2014	552,958	334,091	226,373	171,652	116,218	27,648	1,428,940
Profit for the year	-	-	-	62,955	-	-	62,955
Other comprehensive income	-	-	-	-	(10,874)	-	(10,874)
Total comprehensive income for the year	-	-	-	62,955	(10,874)	-	52,081
Dividends payable transferred to current liabilities (Note 18)	-	-	-	(13,824)	-	(27,648)	(41,472)
Reversal of directors' fees *	-	-	-	1,350	-	-	1,350
Directors fees	-	-	-	(765)	-	-	(765)
Proposed cash dividend	-	-	-	(55,296)	-	55,296	-
At 31 December 2014	552,958	334,091	226,373	166,072	105,344	55,296	1,440,134

*Due to a revision in the rate of dividends payable, there was a revision in the directors' fees. Accordingly the excess amount was reversed in the current year (Note 25).

Sharjah Cement and Industrial Development Company (PSC)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital AED '000 (Note 14)	Statutory reserve AED '000 (Note 15)	General reserve AED '000 (Note 16)	Retained earnings AED '000	Cumulative changes in fair value AED '000 (Note 17)	Proposed cash dividend AED '000 (Note 18)	Total AED '000
At 1 January 2013	552,958	334,091	226,373	152,333	19,189	27,648	1,312,592
Profit for the year	-	-	-	49,067	-	-	49,067
Other comprehensive income	-	-	-	-	97,029	-	97,029
Total comprehensive income for the year	-	-	-	49,067	97,029	-	146,096
Directors fees	-	-	-	(2,100)	-	-	(2,100)
Dividends payable transferred to current liabilities (Note 18)	-	-	-	-	-	(27,648)	(27,648)
Proposed cash dividend	-	-	-	(27,648)	-	27,648	-
At 31 December 2013	552,958	334,091	226,373	171,652	116,218	27,648	1,428,940

The attached notes 1 to 28 form part of these financial statements.

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

1 ACTIVITIES

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Accounting convention

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

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

Statement of compliance

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended standards and interpretations

The accounting policies adopted are consistent with those used in the previous financial year, except for the following new standards and amendments to IFRS that are mandatorily effective for accounting periods beginning on or after 1 January 2014, except as indicated otherwise. The nature and the impact of each new standard and amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of currently has a legally enforceable right to set-off and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Company.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company as the Company has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company.

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) New and amended standards and interpretations (continued)

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company, since the Company is an existing IFRS preparer.

(b) Standards issued but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 is expected to have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. There is no impact on the Company as a result of this standard.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Company, since it does not have defined benefit plans with contributions from employees or third parties.

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not relevant to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not relevant to the Company as the Company does not have any bearer plants.

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not relevant to the Company.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

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

Revenue

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

Investment income

- (i) Interest income is recognised on a time proportion basis after taking account of the principal outstanding and the interest rate applicable.
- (ii) Dividend income is accounted for when the right to receive the dividend is established.
- (iii) Rental income from letting out of properties is apportioned to income on a time-proportion basis.

Realised gains and losses

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

Property, plant and equipment

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

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

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

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

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

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

Investment properties

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

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

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

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

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

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

Investment in associate

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

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

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

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

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

- Raw materials, stores and spares and semi-finished goods purchased - purchase cost on a weighted average basis.
- Raw materials produced locally, work in progress and finished goods - cost of direct materials and labour plus attributable overheads based on normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Accounts receivable

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial assets

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

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis.

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

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

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

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Derivative financial instruments

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

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows of a recognised asset or liability or a forecasted transaction.

In relation to effective fair value hedges, any gain or loss from remeasuring the hedging instrument to fair value as well as related changes in fair value of the item being hedged are recognised immediately in the income statement.

In relation to effective cash flow hedges, the gain or loss on the hedging instrument is recognised initially in equity and either transferred to the income statement in the period in which the hedged transaction impacts the income statement, or included in the initial measurement of the cost of the related asset or liability.

For hedges which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the income statement for the period.

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time:

- (a) for fair value hedges of financial instruments with fixed maturities, any adjustment arising from hedge accounting is amortised over the remaining term to maturity.
- (b) For cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Impairment and uncollectibility of financial assets

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

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

Available-for-sale financial investments

For available-for-sale financial investments, the Company assesses at each statement of financial position date whether there is objective evidence that an investment or group of investments is impaired.

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

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

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

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

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

Term loans

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

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

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

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

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Employees' end of service benefits

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

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

Foreign currency translation

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

Contingencies

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

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

Segment reporting

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

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments

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

Classification of investments

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

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular that the Company has the intention and ability to hold these to maturity.

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

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

All other investments are classified as available for sale.

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

Impairment of investments

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

Operating Lease Commitments-Company as Lessor

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

Distinction between investment properties and owner-occupied properties

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

Going concern

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

Estimates and assumptions

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

Estimated useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated over the estimated useful life, which is based on the expected usage of the asset, expected physical wear and tear, and the repairs and maintenance program and the residual value. The management has not considered any residual value as it is deemed immaterial.

Estimated useful lives of investment properties

The management periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the assets.

Valuation of investment properties

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

Impairment of available-for-sale financial assets

The Company classifies certain financial assets as available-for-sale and recognises movements in their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in profit or loss.

Valuation of unquoted equity investments

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

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

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of accounts receivable

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

At the statement of financial position date, gross trade accounts receivable were AED 180,632 thousand (2013: AED 182,324 thousand), and the provision for doubtful debts was AED 8,939 thousand (2013: AED 8,939 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Impairment of inventories

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

At the statement of financial position date, gross stores and spares, finished goods, work in progress and semi finished goods were AED 213,629 thousand (2013: AED 258,279 thousand), with provisions for old and obsolete inventories of AED 29,396 thousand (2013: AED 26,636 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Physical verification of purchased semi finished goods and work in progress

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

3 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2014 AED'000	2013 AED'000
<i>Staff costs:</i>		
Wages and salaries	33,869	30,724
End of service benefits	2,676	3,716
Other employee benefits	20,450	19,162
	<u>56,995</u>	<u>53,602</u>
<i>Finance costs:</i>		
Bank interest	2,406	3,667
Long term loan interest	1,612	2,386
Short term loan interest	9,680	10,010
	<u>13,698</u>	<u>16,063</u>
Inventory expensed on sale of finished goods	<u>412,600</u>	<u>431,430</u>

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

4 INVESTMENT INCOME

	2014 AED'000	2013 AED'000
Realised gains		
Net gain on sale of available for sale investments	30,045	16,803
Net (loss) gain on sale of trading securities	(282)	727
	<u>29,763</u>	<u>17,530</u>
Fair value (losses) gains		
Changes in fair value of trading securities	(622)	(307)
	<u>(622)</u>	<u>(307)</u>
Other investment income		
Rental income from investment properties, net of depreciation (Note 7)	2,805	3,490
Dividend income- available for sale investments	11,176	10,375
Interest income	868	649
Realised gain on disposal of investment property	4,831	-
Profit on funds	586	1,104
	<u>20,266</u>	<u>15,618</u>
	<u>49,407</u>	<u>32,841</u>

5 BASIC AND DILUTED EARNINGS PER SHARE

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

	2014	2013
Profit for the year, net of directors' fees	<u>AED 62,190,023</u>	<u>AED 46,967,586</u>
Weighted average number of shares outstanding during the year	<u>552,957,951</u>	<u>552,957,951</u>
Basic earnings per share	<u>AED 0.11</u>	<u>AED 0.08</u>

The Company has not issued any instruments which would have any impact on earnings per share when exercised. Based on this, the diluted earnings per share is as follows:

	2014	2013
Diluted earnings per share	<u>AED 0.11</u>	<u>AED 0.08</u>

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land AED '000	Freehold buildings AED '000	Plant and machinery AED '000	Furniture and equipment AED '000	Motor vehicles AED '000	Quarry costs AED '000	Capital projects in progress AED '000	Total AED '000
Cost:								
At 1 January 2014	32,902	345,292	1,065,405	34,658	44,306	3,397	20,473	1,546,433
Additions	-	12,228	7,213	1,024	1,298	-	69,022	90,785
Disposals	-	-	-	-	(1,618)	-	(150)	(1,768)
Transfers	-	5,086	13,729	-	-	967	(19,782)	-
At 31 December 2014	<u>32,902</u>	<u>362,606</u>	<u>1,086,347</u>	<u>35,682</u>	<u>43,986</u>	<u>4,364</u>	<u>69,563</u>	<u>1,635,450</u>
Depreciation:								
At 1 January 2014	-	172,468	489,224	30,457	41,594	3,397	-	737,140
Depreciation charge Relating to disposals	-	10,778	30,837	1,070	1,237	32	-	43,954
	-	-	-	-	(1,618)	-	-	(1,618)
At 31 December 2014	<u>-</u>	<u>183,246</u>	<u>520,061</u>	<u>31,527</u>	<u>41,213</u>	<u>3,429</u>	<u>-</u>	<u>779,476</u>
Net carrying amount:								
At 31 December 2014	<u>32,902</u>	<u>179,360</u>	<u>566,286</u>	<u>4,155</u>	<u>2,773</u>	<u>935</u>	<u>69,563</u>	<u>855,974</u>

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land AED '000	Freehold buildings AED '000	Plant and machinery AED '000	Furniture and equipment AED '000	Motor vehicles AED '000	Quarry costs AED '000	Capital projects in progress AED '000	Total AED '000
Cost:								
At 1 January 2013	32,902	330,460	1,031,861	32,897	42,350	3,397	5,559	1,479,426
Additions	-	719	443	1,761	2,271	-	62,128	67,322
Disposals	-	-	-	-	(315)	-	-	(315)
Transfers	-	14,113	33,101	-	-	-	(47,214)	-
At 31 December 2013	32,902	345,292	1,065,405	34,658	44,306	3,397	20,473	1,546,433
Depreciation:								
At 1 January 2013	-	162,103	457,187	29,334	39,290	3,397	-	691,311
Depreciation charge Relating to disposals	-	10,365	32,037	1,123	2,619	-	-	46,144
	-	-	-	-	(315)	-	-	(315)
At 31 December 2013	-	172,468	489,224	30,457	41,594	3,397	-	737,140
Net carrying amount:								
At 31 December 2013	32,902	172,824	576,181	4,201	2,712	-	20,473	809,293

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

6 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2014 AED'000	2013 AED'000
Included in cost of sales	42,972	43,665
Included in general and administration expenses	982	2,479
	<u>43,954</u>	<u>46,144</u>

7 INVESTMENT PROPERTIES

	<i>Undeveloped land in Sharjah AED'000</i>	<i>Undeveloped land in Dubai AED'000</i>	<i>Developed land in Sharjah AED'000</i>	<i>Buildings in Sharjah AED'000</i>	<i>Total AED'000</i>
Cost:					
At 1 January 2014	48,208	24,968	9,447	49,289	131,912
Disposals	(269)	-	-	-	(269)
At 31 December 2014	<u>47,939</u>	<u>24,968</u>	<u>9,447</u>	<u>49,289</u>	<u>131,643</u>
Depreciation:					
At 1 January 2014	-	-	-	18,916	18,916
Provided during the year	-	-	-	1,994	1,994
At 31 December 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,910</u>	<u>20,910</u>
Net carrying amount:					
At 31 December 2014	<u>47,939</u>	<u>24,968</u>	<u>9,447</u>	<u>28,379</u>	<u>110,733</u>
Estimated fair values:					
At 31 December 2014	<u>125,646</u>	<u>33,716</u>	<u>11,153</u>	<u>64,904</u>	<u>235,419</u>
	<i>Undeveloped land in Sharjah AED'000</i>	<i>Undeveloped land in Dubai AED'000</i>	<i>Developed land in Sharjah AED'000</i>	<i>Buildings in Sharjah AED'000</i>	<i>Total AED'000</i>
Cost:					
At 1 January 2013	48,208	24,968	9,447	49,289	131,912
At 31 December 2013	<u>48,208</u>	<u>24,968</u>	<u>9,447</u>	<u>49,289</u>	<u>131,912</u>
Depreciation:					
At 1 January 2013	-	-	-	16,922	16,922
Provided during the year	-	-	-	1,994	1,994
At 31 December 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,916</u>	<u>18,916</u>
Net carrying amount:					
At 31 December 2013	<u>48,208</u>	<u>24,968</u>	<u>9,447</u>	<u>30,373</u>	<u>112,996</u>
Estimated fair values:					
At 31 December 2013	<u>102,420</u>	<u>28,437</u>	<u>10,392</u>	<u>59,039</u>	<u>200,288</u>

Sharjah Cement and Industrial Development Company (PSC)

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As at 31 December 2014

7 INVESTMENT PROPERTIES (continued)

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

Rental income of AED 4,799 thousand (2013: AED 5,484 thousand) has been earned from investment properties and disclosed as net of depreciation charge of AED 1,994 thousand (2013: AED 1,994 thousand) (Note 4).

8 INVESTMENT IN ASSOCIATE

	2014 AED'000	2013 AED'000
Investment in associate	36,322	36,322
Additions during the year	5,803	-
Share of results for the year	-	-
Carrying value as of 31 December	<u>42,125</u>	<u>36,322</u>

The investment in associate represents a 34.48 % (2013: 30.89%) holding in Auto Line Industrial Parks Limited, which is registered in India. The investment in Auto Line Industrial Parks Limited is treated as an investment in associate as the Company does not have the power to govern the financial and operating policies of the investee company.

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

Share of associate's statement of financial position:

	2014 AED'000	2013 AED'000
Current assets	19,952	17,467
Non-current assets	29	6
Current liabilities	(189)	(598)
Net assets	<u>19,792</u>	<u>16,875</u>
<i>Share of associate's revenue and results:</i>		
Revenue	<u>0.136</u>	<u>0.167</u>
Profit	<u>-</u>	<u>-</u>

9 AVAILABLE FOR SALE INVESTMENTS

	31 December 2014			31 December 2013		
	Quoted AED'000	Unquoted AED'000	Total AED'000	Quoted AED'000	Unquoted AED'000	Total AED'000
<i>Equity securities</i>						
UAE	214,760	5,554	220,314	229,890	5,697	235,587
Outside UAE	43,565	72,232	115,797	45,568	77,752	123,320
	<u>258,325</u>	<u>77,786</u>	<u>336,111</u>	<u>275,458</u>	<u>83,449</u>	<u>358,907</u>

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

9 AVAILABLE FOR SALE INVESTMENTS (continued)

Unquoted equity securities amounting to AED 77,786 thousand (2013: AED 83,449 thousand) are carried at cost less provision for impairment, where applicable, due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at a reliable fair value. Investments carried at cost primarily comprise private equity entities and funds in a start up stage, with projects still under construction as of 31 December 2014. The Company intends to hold such investments either for long term investment purposes or until such time when an appropriate exit is found.

Movements in the available for sale investments were as follows:

	2014 AED'000	2013 AED'000
At 1 January	358,907	266,403
Purchased during the year	66,061	54,675
Changes in fair value	28,407	129,857
Disposed during the year	(108,028)	(76,003)
Reversal of loss on sale of available for sale investments	(9,236)	(16,025)
At 31 December	<u>336,111</u>	<u>358,907</u>

10 INVENTORIES

	2014 AED'000	2013 AED'000
Raw materials	88,882	75,093
Work in progress and semi-finished goods	81,339	130,161
Finished goods	19,232	18,602
Goods in transit	4,733	6,743
Stores and spares	83,662	82,880
	<u>277,848</u>	<u>313,479</u>

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014 AED'000	2013 AED'000
Trade accounts receivable	171,693	173,385
Advances to suppliers	4,184	2,691
Advances for purchase of investment property	17,503	17,503
Other receivables	2,290	7,934
Prepaid expenses	1,022	1,631
	<u>196,692</u>	<u>203,144</u>

As at 31 December 2014, trade receivables at nominal value of AED 8,939 thousand (2013: AED 8,939 thousand) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2014 AED'000	2013 AED'000
At 1 January	8,939	8,244
Charge for the year	-	695
At 31 December	<u>8,939</u>	<u>8,939</u>

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

12 TRADING SECURITIES

	31 December 2014		31 December 2013	
	Quoted AED'000	Total AED'000	Quoted AED'000	Total AED'000
Outside UAE	15,665	15,665	12,199	12,199

13 CASH AND CASH EQUIVALENTS

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

	2014 AED'000	2013 AED'000
Bank balances and cash	54,009	37,474
Bank overdrafts	(149)	(5,801)
	<u>53,860</u>	<u>31,673</u>

Bank overdrafts are unsecured. Bank balances and cash include deposits amounting to AED 4,056 thousand (2013: AED 6,837 thousand) placed with banks outside the UAE.

14 SHARE CAPITAL

	2014 AED'000	2013 AED'000
<i>Issued and fully paid:</i>		
552,957,951 shares (2013: 552,957,951 shares) of AED 1 each	<u>552,958</u>	<u>552,958</u>

15 STATUTORY RESERVE

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

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

16 GENERAL RESERVE

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

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

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

17 CUMULATIVE CHANGES IN FAIR VALUE

	2014 AED'000	2013 AED'000
<i>Available for sale securities</i>		
At 1 January	116,218	19,189
Net increase in fair value during the year	28,407	129,857
Less: Realised gains during the year	(30,045)	(16,803)
Reversal of loss on sale of available for sale investments	(9,236)	(16,025)
	<u>105,344</u>	<u>116,218</u>
Balance of cumulative changes in fair value at 31 December	<u>105,344</u>	<u>116,218</u>

18 DIVIDENDS PAID AND PROPOSED

The Board of Directors has proposed a cash dividend amounting to AED 55,296 thousand at AED 0.10 per share of AED 1 each. No scrip dividend has been proposed. These are subject to the approval of the shareholders at the Annual General Meeting.

For the year ended 31 December 2013, the Board of Directors had proposed a cash dividend amounting to AED 27,648 thousand at AED 0.05 per share of AED 1 each. No scrip dividend was proposed. Subsequently, the shareholders, at the annual general meeting held on 12 April 2014, approved a cash dividend amounting to AED 41,472 thousand at AED 0.075 per share of AED 1 each.

19 TERM LOAN

	2014 AED'000	2013 AED'000
Current portion	65,713	14,700
Non-current portion	143,762	44,100
	<u>209,475</u>	<u>58,800</u>

During the year, the Company entered into a term loan agreement for AED 91.9 million (equivalent of USD 25 million) with a commercial bank in the UAE for capital expenditure financing purposes. The term loan carried interest at floating commercial rates and is not secured by any mortgages.

During the previous year, the Company entered into a term loan agreement for AED 73.5 million (equivalent of USD 20 million) with a commercial bank outside the UAE for capital expenditure financing purposes. The term loan carried interest at floating commercial rates and is not secured by any mortgages. The total disbursement is made in current year.

During 2012, the Company entered into a term loan agreement for AED 73.5 million (equivalent of USD 20 million) with a commercial bank outside the UAE for general corporate financing purposes. The term loan carried interest at floating commercial rates and is not secured by any mortgages.

20 EMPLOYEES' END OF SERVICE BENEFITS

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

	2014 AED'000	2013 AED'000
Provision as at 1 January	22,968	20,297
Provided during the year	2,676	3,716
End of service benefits paid	(430)	(1,045)
	<u>25,214</u>	<u>22,968</u>
Provision as at 31 December	<u>25,214</u>	<u>22,968</u>

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

21 ACCOUNTS PAYABLE AND ACCRUALS

	2014 AED'000	2013 AED'000
Trade accounts payable	78,219	89,989
Accrued expenses and other payables	43,305	40,915
Unclaimed dividends due to shareholders	12,042	9,150
	<u>133,566</u>	<u>140,054</u>

22 PAYABLE AGAINST CONSTRUCTION OF PROPERTY, PLANT AND EQUIPMENT

Payable against construction of property, plant and equipment mainly represents amounts payable for waste heat recovery system project, upgrading the clinker production facility and construction of cement mill and coal mill.

23 SHORT TERM LOANS

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

(a) Trust receipts

During the year, the Company obtained trust receipts of AED 34,546 thousand (2013: AED 84,756 thousand) which are unsecured, repayable within 120 days and carry interest at floating commercial rates. The balance of the trust receipts as at 31 December 2014 was AED Nil (2013: AED 32,337 thousand).

(b) Working capital loans

During the year, the Company obtained working capital loan facilities of AED 272,895 thousand (2013: AED 207,139 thousand) which are secured by promissory notes in favour of the banks. These loans carry interest at floating commercial rates and are repayable as per the terms of the loan agreements, which are less than 12 months from the date of the financial position. The balance of these loans as of 31 December 2014 was AED 74,278 thousand (2013: AED 158,893 thousand).

(c) During the previous year, the Company has taken a loan in the amount of AED 25,000 thousand for the payment of dividend declared in 2013 for year end 2012 results. This loan carried interest at a floating commercial rate and is repayable as per the terms of the loan agreement, which is less than 12 months from the date of the financial position. The loan was fully repaid during the year.

Short terms loans are repayable within 12 months from the statement of financial position date.

24 SEGMENT INFORMATION

Primary segment information

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

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

Manufacturing segment is organised into three operating business units as follows:

- Cement division is engaged in the manufacture and supply of cement.
- Paper sacks division is engaged in the manufacture and supply of paper sacks.
- Ropes division is engaged in the manufacture and supply of plastic ropes.

Investment segment is organised into two business units as follows:

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

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

24 SEGMENT INFORMATION (continued)

Primary segment information (continued)

The above segments are the basis on which the management monitors the operating results of these segments for the purpose of making decisions about resource allocation and performance assessment. Transactions between segments are conducted at estimated market rates on an arm's length basis and eliminated on consolidation. Segmental information is presented below:

	<i>Investment</i> <i>AED'000</i>	<i>Cement</i> <i>factory</i> <i>AED'000</i>	<i>Papersack</i> <i>factory</i> <i>AED'000</i>	<i>Gulf Rope</i> <i>& Plastic</i> <i>Products</i> <i>AED'000</i>	<i>Inter-segment</i> <i>elimination</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
31 December 2014						
Manufacturing						
Sales	-	572,534	46,836	61,601	(5,644)	675,327
Cost of sales	-	(532,823)	(36,730)	(61,723)	(290)	(631,566)
Gross profit	-	39,711	10,106	(122)	(5,934)	43,761
Miscellaneous income	-	2,612	72	195	(499)	2,380
Expenses	-	(4,965)	(4,228)	(2,343)	2,746	(8,790)
Net Segment Results	-	37,358	5,950	(2,270)	(3,687)	37,351
Investment						
Income from investment in private and public equities and funds	40,903	-	-	-	-	40,903
Interest income	4,363	34	11	-	(3,540)	868
Other income/(expenses)	202	-	-	-	-	202
	45,468	34	11	-	(3,540)	41,973
Income from investment properties	4,799	-	-	-	-	4,799
Realised gain on sale of Investment properties	4,831	-	-	-	-	4,831
Depreciation	(1,994)	-	-	-	-	(1,994)
	7,636	-	-	-	-	7,636
Net segment results	53,104	34	11	-	(3,540)	49,609
<i>Finance costs</i>	(12,174)	(1,158)	(3,631)	(275)	3,540	(13,698)
<i>Unallocated income and</i> <i>expenses-Head office</i>	(13,998)	-	-	-	3,687	(10,311)
Unrealised profit on stock	-	-	-	-	4	4
Profit (Loss) for the year	26,932	36,234	2,330	(2,545)	4	62,955

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

24 SEGMENT INFORMATION (continued)

	<i>Investment</i> <i>AED '000</i>	<i>Cement</i> <i>factory</i> <i>AED '000</i>	<i>Papersack</i> <i>factory</i> <i>AED '000</i>	<i>Gulf Rope</i> <i>& Plastic</i> <i>Products</i> <i>AED '000</i>	<i>Inter-segment</i> <i>elimination</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<i>31 December 2013</i>						
<i>Manufacturing</i>						
Sales	-	529,606	50,738	49,633	(5,385)	624,592
Cost of sales	-	(485,607)	(42,645)	(47,171)	3,391	(572,032)
Gross profit	-	43,999	8,093	2,462	(1,994)	52,560
Miscellaneous income	-	2,731	145	42	(2,562)	356
Expenses	-	(6,282)	(5,520)	(2,004)	3,686	(10,120)
Net segment results	-	40,448	2,718	500	(870)	42,796
<i>Investment</i>						
Income from investment in private and public equities and funds	28,702	-	-	-	-	28,702
Impairment of available for sale investments	-	-	-	-	-	-
Interest income	4,616	43	1	-	(4,011)	649
Expenses	(161)	-	-	-	-	(161)
	33,157	43	1	-	(4,011)	29,190
Income from investment properties	5,484	-	-	-	-	5,484
Depreciation	(1,994)	-	-	-	-	(1,994)
	3,490	-	-	-	-	3,490
Net segment results	36,647	43	1	-	(4,011)	32,680
<i>Finance costs</i>	(13,124)	(2,310)	(4,288)	(352)	4,011	(16,063)
<i>Unallocated income and</i> <i>expenses-Head office</i>	(11,215)	-	-	-	866	(10,349)
Unrealised profit on stock	-	-	-	-	3	3
Profit (Loss) for the year	12,308	38,181	(1,569)	148	(1)	49,067

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

24 SEGMENT INFORMATION (continued)

Other information

31 December 2014

	Manufacturing				Unallocated Assets & Liabilities- Head Office AED '000	Total AED '000	Investment AED '000	Total AED '000
	Cement Factory AED '000	Paper sack factory AED '000	Gulf Rope & Plastic products AED '000	Total AED '000				
Segment assets	1,170,842	32,153	127,003	1,329,998	37,022	522,137	1,889,157	
Segment liabilities	100,449	7,993	14,031	122,473	326,550	-	449,023	
Depreciation	40,608	214	2,715	43,537	417	1,994	45,948	
Capital expenditure	72,854	399	17,360	90,613	172	-	90,785	

31 December 2013

	Manufacturing				Unallocated Assets & Liabilities- Head Office AED '000	Total AED '000	Investment AED '000	Total AED '000
	Cement Factory AED '000	Paper sack factory AED '000	Gulf Rope & Plastic products AED '000	Total AED '000				
Segment assets	1,152,707	66,725	105,147	1,324,579	21,308	537,927	1,883,814	
Segment liabilities	116,064	15,192	11,791	143,047	311,827	-	454,874	
Depreciation	44,170	173	1,379	45,722	422	1,994	48,138	
Capital expenditure	28,769	686	37,488	66,943	379	-	67,322	

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

24 SEGMENT INFORMATION (continued)

Geographical information

The following table presents revenue, asset and liability information regarding geographic segments for the years ended 31 December 2014 and 2013.

31 December 2014

	Domestic				International				Grand Total AED'000		
	Cement Factory AED'000	Paper sack factory AED'000	Gulf Rope & Plastic products AED'000	Investment AED'000	Total AED'000	Cement Factory AED'000	Paper sack factory AED'000	Gulf Rope & Plastic products AED'000		Investment AED'000	Total AED'000
Revenue	425,544	6,847	34,313	-	466,704	146,990	34,345	27,288	-	208,623	675,327
Investment income	-	-	-	48,029	48,029	-	-	-	1,378	1,378	49,407
Assets	1,153,132	28,335	124,653	380,997	1,687,117	17,710	3,818	2,350	178,162	202,040	1,889,157
Liabilities	99,531	3,674	7,360	184,672	295,237	918	4,319	6,671	141,878	153,786	449,023
Capital expenditure	72,854	399	17,360	172	90,785	-	-	-	-	-	90,785

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

24 SEGMENT INFORMATION (continued)

31 December 2013

	Domestic				International				Grand Total AED '000	
	Cement Factory AED '000	Paper sack factory AED '000	Gulf Rope & Plastic products AED '000	Total AED '000	Cement Factory AED '000	Paper sack factory AED '000	Gulf Rope & Plastic products AED '000	Investment AED '000		
Revenue	386,682	7,395	30,103	424,180	142,924	37,958	19,530	-	200,412	624,592
Investment income	-	-	-	30,261	-	-	-	2,580	2,580	32,841
Assets	1,134,101	61,149	103,095	1,679,172	18,606	5,576	2,053	178,407	204,642	1,883,814
Liabilities	113,184	3,677	4,931	350,926	2,880	11,515	6,860	82,693	103,948	454,874
Capital expenditure	28,769	686	37,488	67,322	-	-	-	-	-	67,322

Property, plant and equipment and investment properties are located in the United Arab Emirates. Investment in associate is classified as International.

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

25 RELATED PARTY TRANSACTIONS

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

Compensation of the key management personnel is as follows:

	<i>2014</i> <i>AED'000</i>	<i>2013</i> <i>AED'000</i>
Short term employee benefits and end of service benefits	15,035	13,343
Total compensation paid to key management personnel	<u>15,035</u>	<u>13,343</u>
Number of key management personnel	<u>21</u>	<u>17</u>
Director's fees	<u>765</u>	<u>2,100</u>
Reversal of directors' fees	<u>(1,350)</u>	<u>-</u>

26 COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

As at the year end, the Company has capital expenditure commitments contracted for with an estimated cost of AED 25.67 million (2013: AED 61.5 million).

The Company has a commitment for AED 10.17 million (2013: AED 11.4 million) on account of investments made in securities and funds. The Company has to pay this amount as and when calls are made by the funds' managers/investee company.

Operating lease commitments - Company as lessor

The Company has entered into various operating lease agreements for investment properties. As at the year end, the future lease minimum payments of AED 1.6 million (2013: AED 1.5 million) are due within one year from the statement of financial position date under these operating leases.

Contingent liabilities

At 31 December 2014 the Company had contingent liabilities in respect of bank guarantees relating to performance bonds, from which it is anticipated that no material liabilities will arise, amounting to AED 4.4 million (2013: AED 4 million).

27 RISK MANAGEMENT

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

It is, and has been throughout the year under review, the Company's policy that no trading in derivatives shall be undertaken.

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

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

27 RISK MANAGEMENT (continued)

Interest rate risk

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

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

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

31 December 2014

	<i>Less than 1 year AED'000</i>	<i>1 to 5 years AED'000</i>	<i>Total AED'000</i>	<i>Effective interest rate</i>
Time deposits (Included in cash and cash equivalents)	4,056	-	4,056	less than 1%
Bank overdrafts	(149)	-	(149)	4.5% to 5.5%
Term loans	(65,713)	(143,762)	(209,475)	3% to 4%
Short term loans	(74,278)	-	(74,278)	4.5% to 5.5%
	<u>(136,084)</u>	<u>(143,762)</u>	<u>(279,846)</u>	

31 December 2013

	<i>Less than 1 year AED'000</i>	<i>1 to 5 years AED'000</i>	<i>Total AED'000</i>	<i>Effective interest rate</i>
Time deposits (Included in cash and cash equivalents)	6,837	-	6,837	less than 1%
Bank overdrafts	(5,801)	-	(5,801)	6.5%
Term loans	(14,700)	(44,100)	(58,800)	3.5% to 4.5%
Short term loans	(216,230)	-	(216,230)	6.5% to 7.5%
	<u>(229,894)</u>	<u>(44,100)</u>	<u>(273,994)</u>	

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

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

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the Company's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December 2014.

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit for the year AED'000</i>
2014	+25	(700)
	- 50	1,400
2013	+25	(685)
	- 50	1,370

Sharjah Cement and Industrial Development Company (PSC)

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As at 31 December 2014

27 RISK MANAGEMENT (continued)

Equity price risk

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

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

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

	2014			2013		
	Change in equity price %	Effect on equity AED'000	Effect on income statement AED'000	Change in equity price %	Effect on equity AED'000	Effect on income statement AED'000
<i>All investments:</i>						
(Mainly Dubai Financial Market, Abu Dhabi Stock Market and Kuwait stock exchange)	10	25,832	1,567	10	27,546	1,219

Investments at cost

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

Credit risk

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

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

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

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

	2014 AED'000	2013 AED'000
Trade and other receivables	173,983	181,319
Bank balances	53,547	37,000
Total credit risk exposure	<u>227,530</u>	<u>218,319</u>

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in value.

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

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

27 RISK MANAGEMENT (continued)

Credit risk (continued)

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

	2014			2013		
	<i>Assets</i> <i>AED'000</i>	<i>Liabilities and equity</i> <i>AED'000</i>	<i>Contingent liabilities and commitments</i> <i>AED'000</i>	<i>Assets</i> <i>AED'000</i>	<i>Liabilities and equity</i> <i>AED'000</i>	<i>Contingent liabilities and commitments</i> <i>AED'000</i>
United Arab Emirates	1,670,842	1,734,439	21,153	1,679,172	1,779,866	5,018
Other Middle East countries	112,472	143,579	6,138	101,763	80,291	5,861
Rest of the world	105,843	11,139	14,476	102,879	23,657	67,616
Total	1,889,157	1,889,157	41,767	1,883,814	1,883,814	78,495

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

31 December 2014

	<i>Neither past due nor impaired</i>				<i>Total</i> <i>AED'000</i>
	<i>High grade</i> <i>AED'000</i>	<i>Standard grade</i> <i>AED'000</i>	<i>Sub-standard grade</i> <i>AED'000</i>	<i>Past due or impaired</i> <i>AED'000</i>	
Available for sale investments	190,607	305,799	-	-	496,406
Accounts receivable (excluding prepayments)	195,670	-	-	8,939	204,609
Trading securities	15,665	-	-	-	15,665
Bank balances and cash	54,009	-	-	-	54,009
	455,951	305,799	-	8,939	770,689
Less: Impairment provision					(169,234)
					601,455

31 December 2013

	<i>Neither past due nor impaired</i>				<i>Total</i> <i>AED'000</i>
	<i>High grade</i> <i>AED'000</i>	<i>Standard grade</i> <i>AED'000</i>	<i>Sub-standard grade</i> <i>AED'000</i>	<i>Past due or impaired</i> <i>AED'000</i>	
Available for sale investments	210,018	318,420	-	-	528,438
Accounts receivable (excluding prepayments)	201,513	-	-	8,939	210,452
Trading securities	12,199	-	-	-	12,199
Bank balances and cash	37,474	-	-	-	37,474
	461,204	318,420	-	8,939	788,563
Less: Impairment provision					(178,470)
					610,093

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

27 RISK MANAGEMENT (continued)

Credit risk (continued)

The following table provides an age analysis of trade receivables:

	<i>Up to 90 days AED'000</i>	<i>90 to 120 days AED'000</i>	<i>Above 120 days AED'000</i>	<i>Total AED'000</i>	<i>Past due and impaired AED'000</i>	<i>Total AED'000</i>
31 December 2014	124,354	31,006	25,272	180,632	(8,939)	171,693
31 December 2013	112,523	30,322	39,479	182,324	(8,939)	173,385

The Company generally provides credit facility up to 90 days.

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

The Company sells its products to a large number of ready mix concrete producers, cement producing companies and cement retailers. Its 10 largest customers account for 60 % of outstanding accounts receivable at 31 December 2014 (2013: 72%).

Liquidity risk

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

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

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

<i>At 31 December 2014</i>	<i>Less than 3 months AED'000</i>	<i>3 to 12 months AED'000</i>	<i>1 to 5 years AED'000</i>	<i>Total AED'000</i>
Accounts payable and accruals	114,982	18,584	-	133,566
Payable against construction of property, plant and equipment	5,711	630	-	6,341
Bank overdrafts	156	-	-	156
Term loans and short term loans	21,487	124,846	149,512	295,845
Total	142,336	144,060	149,512	435,908
<i>At 31 December 2013</i>	<i>Less than 3 months AED'000</i>	<i>3 to 12 months AED'000</i>	<i>1 to 5 years AED'000</i>	<i>Total AED'000</i>
Accounts payable and accruals	111,468	28,586	-	140,054
Payable against construction of property, plant and equipment	-	11,021	-	11,021
Bank overdrafts	6,178	-	-	6,178
Term loans and short term loans	-	245,573	45,864	291,437
Total	117,646	285,180	45,864	448,690

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

27 RISK MANAGEMENT (continued)

Liquidity risk (continued)

The table below summarises the maturity of the assets and liabilities of the Company at the statement of financial position date.

	31 December 2014			31 December 2013				
	Less than one year AED '000	More than one year AED '000	No Term AED '000	Total AED '000	Less than one year AED '000	More than one year AED '000	No Term AED '000	Total AED '000
ASSETS								
Property, plant and equipment	-	-	855,974	855,974	-	-	809,293	809,293
Investment properties	-	-	110,733	110,733	-	-	112,996	112,996
Investment in associate	-	-	42,125	42,125	-	-	36,322	36,322
Available for sale investments	-	-	336,111	336,111	-	-	358,907	358,907
Inventories	277,848	-	-	277,848	313,479	-	-	313,479
Accounts receivable and prepayments	196,692	-	-	196,692	203,144	-	-	203,144
Trading securities	15,665	-	-	15,665	12,199	-	-	12,199
Bank balances and cash	54,009	-	-	54,009	37,474	-	-	37,474
TOTAL ASSETS	544,214	-	1,344,943	1,889,157	566,296	-	1,317,518	1,883,814
EQUITY AND LIABILITIES								
Equity								
Share capital	-	-	552,958	552,958	-	-	552,958	552,958
Statutory reserve	-	-	334,091	334,091	-	-	334,091	334,091
General reserve	-	-	226,373	226,373	-	-	226,373	226,373
Retained earnings	-	-	166,072	166,072	-	-	171,652	171,652
Cumulative changes in fair value	-	-	105,344	105,344	-	-	116,218	116,218
Proposed cash dividend	-	-	55,296	55,296	-	-	27,648	27,648
Total equity	-	-	1,440,134	1,440,134	-	-	1,428,940	1,428,940
Liabilities								
Term loans	-	143,762	-	143,762	-	44,100	-	44,100
Employees' end of service benefits	-	-	25,214	25,214	-	-	22,968	22,968
Accounts payable and accruals	133,566	-	-	133,566	140,054	-	-	140,054
Payable against construction of property, plant and equipment	6,341	-	-	6,341	11,021	-	-	11,021
Bank overdrafts	149	-	-	149	5,801	-	-	5,801
Current Portion of Term Loans	65,713	-	-	65,713	14,700	-	-	14,700
Short term loans	74,278	-	-	74,278	216,230	-	-	216,230
Total liabilities	280,047	143,762	25,214	449,023	387,806	44,100	22,968	454,874
TOTAL EQUITY AND LIABILITIES	280,047	143,762	1,465,348	1,889,157	387,806	44,100	1,451,908	1,883,814

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

27 RISK MANAGEMENT (continued)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's significant monetary assets and liabilities denominated in foreign currencies are in US Dollars. As the UAE Dirham is currently pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

The tables below indicate the currencies to which the Company had significant exposure at 31 December 2014 on its available for sale investments and investment in associate which are denominated in Kuwaiti Dinars and Indian Rupees. The analysis calculates the effect of a reasonably possible movement of the currency rate against the AED, with all other variables held constant on the income statement and equity.

Currency	Change in currency rate in % 2014	Effect on profit 2014 AED'000	Change in currency rate in % 2013	Effect on loss 2013 AED'000
KD	±10	7,283	±10	7,403
INR	±10	6,975	±10	6,465

Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013. Capital comprises share capital, statutory reserve, general reserve and retained earnings and is measured at AED 1,279,494 thousand as at 31 December 2014 (2013: AED 1,285,074 thousand).

28 FAIR VALUE

Determination of fair value and fair value hierarchy

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

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

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

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

Sharjah Cement and Industrial Development Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

28 FAIR VALUE (continued)

Determination of fair value and fair value hierarchy (continued)

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

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
31 December 2014				
Financial assets				
<i>Investments available for sale</i>				
Quoted investments				
Equity securities	258,325	-	-	258,325
<i>Unquoted investments</i>				
Equity securities	-	-	-	-
	<u>258,325</u>	<u>-</u>	<u>-</u>	<u>258,325</u>
<i>Trading securities:</i>				
Equity securities	15,665	-	-	15,665
	<u>15,665</u>	<u>-</u>	<u>-</u>	<u>15,665</u>
Non-financial assets				
<i>Investment properties (disclosure only)</i>			235,419	235,419
			<u>235,419</u>	<u>235,419</u>
	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
31 December 2013				
Financial assets				
<i>Investments available for sale</i>				
Quoted investments				
Equity securities	275,458	-	-	275,458
<i>Unquoted investments</i>				
Equity securities	-	-	-	-
	<u>275,458</u>	<u>-</u>	<u>-</u>	<u>275,458</u>
<i>Trading securities:</i>				
Equity securities	12,199	-	-	12,199
	<u>12,199</u>	<u>-</u>	<u>-</u>	<u>12,199</u>
Non-financial assets				
<i>Investment properties (disclosure only)</i>	-	-	200,288	200,288
	<u>-</u>	<u>-</u>	<u>200,288</u>	<u>200,288</u>

Investments in unquoted available-for-sale securities are not subject to fair value hierarchy as these are carried at cost less provision for impairment, where relevant.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014

28 FAIR VALUE (continued)

Financial instruments recorded at fair value

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

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

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

Fair value of financial assets and liabilities not carried at fair value

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

Available for sale investments

For available for sale investments in unquoted private equities and funds, it is assumed that the carrying amounts approximate their fair values since these investments are in a start up stage, with projects still under construction as of 31 December 2014.

Trade and other receivables and trade payables

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

Fair Value of Non-financial assets and liabilities

Investment Properties

Fair value of Investment Properties is determined by Independent property consultants and brokers based on the market value of similar properties. Since these are performed by a Tier II firm, management has reassessed property values and have further discounted them by 30% for the year ended 31 December 2014 (31 December 2013: 28%) to arrive at the fair value. Fair value of Investment Properties are predominantly affected by market conditions.