Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

Consolidated financial statements

31 December 2017

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Sharjah Cement & Industrial Development Co.
(PJSC)
Established by the Emiri Decree No. 31/79
Paid up Capital AED 552,957,951
Regist No. 312

شركة الشارقة للأسمنت والتنمية الصناعية
(شركة مساهمة عامة)
تأسست بموجب المرسوم الأ ميري ٧٩/٣١
رأس المال المدفوع ٥٥٢،٩٥٧،٩٥١
رقم السجل التجاري ٣١٢

DIRECTORS' REPORT

The Board of Directors of Sharjah Cement and Industrial Development Company (PSC) (the "Company") has pleasure in submitting their report on financial statements for the year ended 31 December 2017.

Principal Activities
The principal activities of the Company are manufacture and supply of cement, paper sacks and plastic ropes. The company also invests its surplus funds in investment securities, private equities and properties.

Financial Results
The Company has reported sales of AED 650 million (2016: AED 613 million) while the net profit for the year was AED 65 million (2016: AED 64 million).

Dividends and appropriations
The Board of Directors proposed a cash dividend amounting to AED 48,660,300 at AED 0.08 per share of AED 1 each for the year ended 31 December 2017.

Directors

Mr. Ahmed Abdalla Al-Noman	Chairman
Mr. Othman Mohamed Sharif Zaman	Vice Chairman
H.E. Abdulrahman Mohamed Nasir Alowais	Board Member
Mr. Obaid Rashid Al-Shamsi	Board Member
Mr Abdulaziz Ibrahim Al-Faris	Board Member
Mr. Jassim Mohd Abdulla AlKhayyal	Board Member
Mr. Nawaf Abdullah Mahmood Al-Refaie	Board Member
Mr. Ahmed Salem Abdulla Salem Al Hosni	Board Member
Mr. Mohamed Ahmed Omar Salem Al Karbi	Board Member

Auditors
KPMG Lower Gulf Limited were appointed as external auditors of the Company for the year ended 31 December 2017, and they have expressed their willingness to continue in office once elected at the forthcoming Annual General Meeting.

On behalf of the Board

Ahmed Abdalla Al-Noman
Chairman
3rd March 2018.

ص . ب: ٢٠٨٣، برج الحصن الطابق ١٤، شارع البنوك الروله ـ الشارقة، الامارات العربية المتحدة
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Independent Auditors' Report

To the Shareholders of Sharjah Cement and Industrial Development Co. PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sharjah Cement and Industrial Development Co. PJSC ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables	
Refer to note 13 to the consolidated financial statements	
The Group has significant trade receivables representing 10% of the Group's total assets and there is a risk over the recoverability of these balances, some of which are overdue. Determination of the recoverable amount of certain trade receivables can incorporate significant judgments based on various assumptions.	We tested the Group's credit control procedures, including the controls around credit terms, verifying cash collections subsequent to the year end and reviewing the payment history. We analysed significant receivables, particularly those overdue, which were not provided for by the Group to determine whether there were any indicators of impairment. We inspected arrangements and/or correspondences with external parties to assess the recoverability of significant and/or long outstanding receivables. We assessed the adequacy of the disclosures in the consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
Refer to note 12 to the consolidated financial statements	
As described in the accounting policies in note 3 to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value. As a result, the management applies judgment in determining the appropriate provisions for slow moving and non-moving stock based upon a detailed analysis of old inventory, and net realisable value below cost based upon future plans for sale of inventory.	• We obtained assurance over the appropriateness of the management's assumptions applied in calculating the cost of the inventories and related provisions by: • verifying the effectiveness of key controls operating over inventories; including sample based physical verification. • verifying for a sample of individual products that costs have been correctly recorded. • comparing the net realisable value to the cost price of inventories to check for completeness of the associated provision. • reviewing the historical accuracy of inventory provisioning, and the level of inventory write-offs during the year. • assessing reasonableness of estimates used by management in computing provision for slow moving and obsolete inventories by comparing with the industry benchmark.

Other Matter

The financial statements of the Group as at and for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 4 March 2017

Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Group has maintained proper books of account;

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

v) as disclosed in note 11 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2017;

Report on Other Legal and Regulatory Requirements *(continued)*

vi) note 25 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2017.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Sharjah, United Arab Emirates
Date: 03 MAR 2018

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

Consolidated income statement
for the year ended 31 December 2017

	Note	**2017** **AED'000**	2016 AED'000
Revenue		**649,969**	612,815
Cost of sales		**(592,811)**	(543,447)
Gross profit		**57,158**	69,368
Administrative and general expenses		**(14,654)**	(14,862)
Selling and distribution expenses		**(4,986)**	(5,281)
Investments income	*6*	**32,177**	29,822
Impairment loss on available for sale investments	*11.1*	**(1,102)**	(10,850)
Finance expenses	*7*	**(8,871)**	(10,722)
Other income		**5,063**	6,567
Profit for the year	*7*	**64,785**	64,042
Profit for the year attributable to:			
Owners of the Company		**64,785**	64,042
Basic and diluted earnings per share (AED)	*21*	**0.107**	0.105

The notes set out on pages 15 to 49 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 8.

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2017

	Note	**2017** **AED'000**	2016 AED'000
Profit for the year		**64,785**	64,042
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Net change in fair value of available for sale investments	*11.1*	**6,902**	(5,006)
Transfer of fair value reserve to profit or loss on impairment of available for sale investments	*11.1*	**1,102**	10,850
Transfer of fair value reserve to profit or loss on disposal of available for sale investments	*11.1*	**(10,110)**	(16,038)
Total other comprehensive loss for the year		**(2,106)**	(10,194)
Total comprehensive income for the year		**62,679**	53,848
Total comprehensive income attributable to:			
Owners of the Company		**62,679**	53,848

The notes set out on pages 15 to 49 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 8.

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

Consolidated statement of financial position

as at 31 December 2017

	Note	2017 AED'000	2016 AED'000
Assets			
Non-current assets			
Property, plant and equipment	*8*	**874,253**	868,639
Investment properties	*9*	**134,703**	112,103
Investment in equity accounted investee	*10*	**42,125**	42,125
Available for sale investments	*11.1*	**247,938**	232,949
		1,299,019	1,255,816
Current assets			
Inventories	*12*	**269,155**	266,429
Trade and other receivables	*13*	**205,783**	213,125
Trading securities at fair value through profit or loss	*11.2*	**9,203**	9,398
Cash in hand and at bank	*14*	**52,024**	46,891
		536,165	535,843
Current liabilities			
Trade and other payables	*15*	**121,927**	127,312
Short term borrowings	*16*	**163,055**	173,963
		284,982	301,275
Net current assets		**251,183**	234,568
Non-current liabilities			
Long term borrowings	*16*	**(48,369)**	(60,365)
Provision for staff terminal benefits	*17*	**(25,782)**	(25,206)
Net assets		**1,476,051**	1,404,813
Represented by			
Share capital	*18*	**608,254**	552,958
Statutory reserve	*19*	**334,091**	334,091
General reserve	*20*	**226,373**	226,373
Proposed dividend	*23*	**48,660**	44,237
Fair value reserve	*11.1*	**40,580**	42,686
Retained earnings		**218,093**	204,468
		1,476,051	1,404,813

These consolidated financial statements were authorized for issue on behalf of the Board of Directors on 03/03/2018

Chairman

Chief Executive

The notes set out on pages 15 to 49 form an integral part of these consolidated financial statements. The independent auditors' report is set out on pages 2 to 8.

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

Consolidated statement of cash flows

for the year ended 31 December 2017

	2017	2016
	AED'000	AED'000
Cash flows from operating activities		
Profit for the year	**64,785**	64,042
Adjustments for:		
Depreciation on property, plant and equipment	**54,739**	52,085
Depreciation on investment properties	**2,003**	1,999
Provision for staff terminal benefits	**4,205**	2,294
Loss/(gain) on disposal of property, plant and equipment	**65**	(1,510)
Gain on disposal of available for sale investments	**(10,110)**	(16,038)
Fair value gain on trading securities at fair value through profit or loss	**(3,789)**	(113)
Impairment loss on available for sale investments	**1,102**	10,850
Dividend and other investment income	**(18,278)**	(13,671)
Interest expense	**8,719**	9,785
	103,441	109,723
Changes in:		
• inventories	**(2,726)**	(18,206)
• trade and other receivables	**(8,019)**	10,762
• trade and other payables	**(5,385)**	10,570
Staff terminal benefits paid	**(3,629)**	(4,089)
Directors' fee paid	**(2,500)**	(2,300)
Net cash from operating activities	**81,182**	106,460
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(69,683)**	(47,165)
Proceeds from disposal of property, plant and equipment	**23**	1,610
Purchase of available for sale investments	**(44,861)**	(25,464)
Proceeds from disposal of available for sale investments	**36,774**	66,162
Dividend and other investment income	**18,278**	13,671
Purchase of trading securities	**(6,935)**	(2,735)
Proceeds from disposal of trading securities	**10,919**	3,068
Net cash (used in)/from investing activities	**(55,485)**	9,147
Cash flows from financing activities		
Repayment of long term bank loans during the year	**(125,290)**	(85,925)
Long term bank loans availed during the year	**58,169**	19,153
Net movement in short term borrowings	**44,217**	(14,309)
Dividend paid	**(44,237)**	(38,707)
Increase in share capital	**55,296**	-
Interest paid	**(8,719)**	(9,785)
Net cash used in financing activities	**(20,564)**	(129,573)
Net increase/(decrease) in cash and cash equivalents	**5,133**	(13,966)
Cash and cash equivalents at the beginning of the year	**46,891**	60,857
Cash and cash equivalents at the end of the year	**52,024**	46,891
Cash and cash equivalents comprise:		
Cash in hand and at bank	**52,024**	46,891

The notes set out on pages 15 to 49 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 8.

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

Consolidated statement of changes in equity
for the year ended 31 December 2017

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Proposed dividend AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2016	552,958	334,091	226,373	38,707	52,880	187,163	1,392,172
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	64,042	64,042
Other comprehensive income							
Net change in fair value of available for sale investments (refer note 11.1)	-	-	-	-	(5,006)	-	(5,006)
Transfer of fair value reserve to profit or loss on impairment of available for sale investments (refer note 11.1)	-	-	-	-	10,850	-	10,850
Transfer of fair value reserve to profit or loss on disposal of available for sale investments (refer note 11.1)	-	-	-	-	(16,038)	-	(16,038)
Total comprehensive income for the year	-	-	-	-	(10,194)	64,042	53,848
Transactions with owners of the Company							
Contribution by and distributions to owners							
Dividend paid (refer note 23)	-	-	-	(38,707)	-	-	(38,707)
Directors' fee (refer note 25)	-	-	-	-	-	(2,500)	(2,500)
Proposed cash dividend (refer note 23)	-	-	-	44,237	-	(44,237)	-
Total transactions with owners of the Company	-	-	-	5,530	-	(46,737)	(41,207)
At 31 December 2016	552,958	334,091	226,373	44,237	42,686	204,468	1,404,813

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

Consolidated statement of changes in equity *(continued)*
for the year ended 31 December 2017

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Proposed Dividend AED'000	Fair value Reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2017	552,958	334,091	226,373	44,237	42,686	204,468	1,404,813
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	64,785	64,785
Other comprehensive income							
Net change in fair value of available for sale investments (refer note 11.1)	-	-	-	-	6,902	-	6,902
Transfer of fair value reserve to profit or loss on impairment of available for sale investments (refer note 11.1)	-	-	-	-	1,102	-	1,102
Transfer of fair value reserve to profit or loss on disposal of available for sale investments (refer note 11.1)	-	-	-	-	(10,110)	-	(10,110)
Total comprehensive income for the year	-	-	-	-	(2,106)	64,785	62,679
Transactions with owners of the Company							
Contribution by and distributions to owners							
Dividend paid (refer note 23)	-	-	-	(44,237)	-	-	(44,237)
Directors' fee (refer note 25)	-	-	-	-	-	(2,500)	(2,500)
Proposed cash dividend (refer note 23)	-	-	-	48,660	-	(48,660)	-
Share issued (refer note 18)	55,296	-	-	-	-	-	55,296
Total transactions with owners of the Company	55,296	-	-	4,423	-	(51,160)	8,559
At 31 December 2017	**608,254**	**334,091**	**226,373**	**48,660**	**40,580**	**218,093**	**1,476,051**

The notes set out on pages 15 to 49 are an integral part of these consolidated financial statements.

1. Reporting entity

Sharjah Cement and Industrial Development Co. (PJSC) ("the Company") was incorporated in Sharjah, United Arab Emirates in 1977 under an Emiri Decree issued by H.H The Ruler of Sharjah and has since been registered as a public joint stock company. The registered office of the Company is P.O. Box 2083 Sharjah, United Arab Emirates. The shares of the Company are listed on Abu Dhabi Securities Market and Kuwait Stock Exchange.

The consolidated financial statements as at and for the year ended 31 December 2017 ("the current year") comprises the financial statements of the Company, its subsidiary and the Company's interest in an associate (collectively referred to as "the Group").

The Group is engaged in the manufacture and supply of cement, paper sacks and plastic ropes. The Group invests its surplus funds in investment securities, private equities and properties. The Group operates from Sharjah, United Arab Emirates and sells its products in the UAE and certain other countries in the Middle East, Africa and Asia.

2. Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and comply with relevant Articles of the Company and the UAE Federal Law No. (2) of 2015.

Basis of measurement

These consolidated financial statements has been presented on the historical cost basis except for available for sale financial assets and trading securities which are measured at fair value.

Functional and presentation currency

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

Use of judgments and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements, assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in note 27.

2. Basis of preparation *(continued)*

Measurement of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a management team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The management team regularly reviews significant unobservable inputs and valuation adjustments.

If third party information is used to measure fair values, then the management team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the significant assumptions made in measuring fair values is included in note 9 – Investment properties and note 11 – Investments.

3. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Basis of consolidation

Until year ended 31st December 2016, the Company was considering Gulf Rope and Plastic Products Co. LLC ("the subsidiary") as a division of the Company for the purpose of the preparation of the financial statements. However, during the year ended 31 December 2017, based on review of the legal documents it was determined that Gulf Rope and Plastics Products Co. LLC should be considered as a wholly owned subsidiary of the Company and accordingly consolidated financial statements have been prepared. There is no impact of the above-mentioned change on the numbers previously presented in the financial statements of the Group for the prior year. However, additional disclosures related to the subsidiary are included in these consolidated financial statements.

3. Significant accounting policies *(continued)*

Business combinations

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

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group’s interests in equity-accounted investees comprise interests in an associate. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. Significant accounting policies *(continued)*

Revenue

Sale of goods
Revenue from sale of goods is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

Rental income
Rental income from investment properties is recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. The proportion of rent collected in advance which is attributable to the unexpired occupancy period at the reporting date is carried forward to subsequent periods as unearned rent.

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

Finance expenses

Finance expenses comprise interest expenses on borrowings and bank charges. Interest expense is recognised as expense in profit or loss as it accrues, using the effective interest method.

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.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for its intended use.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

3. Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

Capital work in progress

Capital work in progress is stated at cost less any impairment losses and not depreciated until such time the assets are available for use.

Depreciation

Items of property, plant and equipment are depreciated from the date that they are available for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Asset	**Life (years)**
Freehold buildings	20 – 25
Plant and machinery	5 – 30
Furniture and equipment	5
Motor vehicles	3 – 5
Quarry costs	5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Reclassification to investment properties

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property considering that the accounting policy for investment property is the 'Cost Model' in accordance with IAS 40.

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model. Under the cost model, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

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

The depreciation on buildings is charged on straight line basis over their estimated useful lives of 25 years. The depreciation method, estimation of useful lives and residual values are reassessed at the reporting date. Land is not depreciated.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the property) is recognised in profit or loss.

3. Significant accounting policies *(continued)*

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

Raw material, stores and spares and semi-finished goods purchased
The cost includes insurance, freight and other incidental charges incurred in acquiring the inventories and bringing them to their present location and condition. Valuation is determined on a weighted average basis.

Raw materials produced locally, work in progress and finished goods
The cost includes cost of direct materials and direct labour plus an appropriate share of production overheads based on normal operating capacity.

Financial instruments

Non derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligation are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non derivative financial assets – measurement

Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated as such on initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, are recognised in profit or loss.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Non derivative financial assets – measurement *(continued)*

Financial assets at fair value through profit or loss (continued)

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale. Fair value of quoted securities are assessed based on market price at the reporting date. In case of unquoted securities, fair value is assessed based on available financial information at the reporting date.

Available-for-sale financial assets

Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Available-for-sale financial assets comprise quoted and unquoted equity investments.

Loans and receivables

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

Loans and receivables comprise other financial assets, trade and other receivables and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities comprise bank borrowings and trade and other payables.

3. Significant accounting policies *(continued)*

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. When the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expenses.

Foreign currency

Transactions in foreign currencies are translated to the functional currency i.e. AED at exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the closing rate. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. All foreign currency differences are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to AED at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to AED at the average exchange rates for current year. Foreign exchange differences arising on translation are recognized in other comprehensive income and presented in the foreign currency translation reserve in equity.

Impairment

Non-derivative financial assets

A financial asset not carried at fair value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlated with defaults, adverse changes in the payment status of borrower or issuer, the disappearance of an active market for a security, or observable data indicating that there is a measurable decrease in expected cash flows for the Group of financial assets.

3. Significant accounting policies *(continued)*

Impairment *(continued)*

Financial assets measured at amortized cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for specific impairment. Those found individually not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment by grouping together with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the related amount are written off. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity (fair value reserve) to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non- financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs.

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

An impairment loss is recognised if the carrying amount of an asset or cash generated unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

3. Significant accounting policies *(continued)*

Provision for staff terminal benefits

The provision for staff terminal benefits is calculated in accordance with the provisions of the UAE Labour Law and is based on the liability that would arise if the employment of all staff were to be terminated at the reporting date. These are classified as long term liabilities.

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

Leases

As Lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group 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.

As Lessee
Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases.

Payments made/receipts under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received/allowed are recognized in profit or loss as an integral part of the total lease payments made/receipts obtained.

Earnings per share

The Group presents basic earnings per share (EPS) data for its shares. Basic EPS is calculated by dividing the profit attributable to shareholders of the Group by the weighted average number of shares outstanding during the year. Weighted average number of shares outstanding is retrospectively adjusted to include the effect of any increase in the number of shares without a corresponding change in resources.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. Standards, amendments and interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 with earlier application permitted. The Group does not plan to adopt these standards early. The new standards which may be relevant to the Group are set out below.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

i. Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

ii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:
–the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
–the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

iii. Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs which result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs which result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Group has a choice to also apply this policy for trade receivables and contract assets with a significant financing component.

The estimated ECL will be calculated based on actual credit loss experience. The Group will perform the calculation of ECL rates separately for different types of customers including related parties.

Actual credit losses will be adjusted based on the industry outlook to reflect differences between economic conditions during the period over which the historical data will be collected, prevalent conditions and the Group's view of economic conditions over the expected lives of the receivables and related party balances.

4. Standards, amendments and interpretations *(continued)*

IFRS 9 Financial Instruments *(continued)*

iv. *Available for sale investments*

Under IFRS 9, the Group will designate these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal.

The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in equity as at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Sales of goods

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

Revenue will be recognised for the contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made.

Based on the Group's assessment, the timing of revenue recognition from sale of goods are broadly similar. Therefore, the Group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these sales.

The Group does not expect the application of IFRS 9 and IFRS 15 to have a significant impact on its consolidated financial statements. The actual impacts of adopting these standards at 1 January 2018 may change because:

- these standards will require the Group to revise its accounting policies and internal controls and these changes are not yet complete;

- the Group is also refining and finalizing its model for expected credit loss calculations; and

- the new accounting policies, assumptions, judgement and estimation techniques employed are subject to change until the Group finalizes its first consolidated financial statements that includes the date of initial application.

4. Standards, amendments and interpretations *(continued)*

IFRS 16 Leases

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for a lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Other new or amended standards

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements:

- Transfers of Investment Property (Amendments to IAS 40) (effective for annual periods beginning on or after 1 January 2018).

- Annual Improvements to IFRSs 2014-2016 Cycle – various standards (amendments to IFRS 1 and IAS 28) (effective for annual periods beginning on or after 1 January 2018).

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The following amendments that are mandatorily effective from the current year:

- Annual Improvements to IFRSs 2014-2016 Cycle (various standard) (Amendments to IFRS 12)

- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

- Disclosure Initiative (Amendment to IAS 7)

Application of these standards and amendments would not have a significant impact on the Group's consolidated financial statements as at 31 December 2017.

5. Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

5. Financial risk management *(continued)*

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Group's risk management function which is responsible for developing and monitoring the Group's risk management policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

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

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group evaluates the credit worthiness of each customer before offering the payment and service terms. These terms are revisited and losses occurred on amounts receivable from customers are assessed on a regular basis. In monitoring customer credit risk, the Group evaluates customers based on the market knowledge and information about the existence of previous financial difficulties. In case a customer defaults in repaying the debt, future sales to such customers are restricted.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payments statistics for similar financial assets.

Cash and bank

Cash is placed with local and international banks of good repute.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of cash and cash equivalents and other liquid investments at an amount in excess of expected cash outflows on financial liabilities. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

5. Financial risk management *(continued)*

Market risks

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

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is not exposed to significant currency risk as the Group has transactions denominated in AED, or USD, a currency to which AED is currently pegged.

Interest rate risk

Interest rate risk is the risk that value of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk is primarily on its borrowings with banks. The interest rate on the Group's financial instruments is based on market rates.

Financial assets and liabilities that are subject to fair value risk are the ones with fixed interest rate. Financial assets and liabilities that are subject to cash flow rate risk are the ones with floating interest rate.

Equity price risk

Equity price risk arises from marketable securities measured at fair value. Management of the Group monitors the mix of debt and equity securities and between quoted and unquoted in investments portfolio to maximize investment returns, which is the primary goal of the Group's investment strategy. In accordance with this strategy certain investments are designated as fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retained earnings. The Board of Directors monitors the return on capital as well as level of dividend to ordinary shareholders. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There was no change to the Group's approach to capital management during the current year.

6. Investments income

	2017 **AED'000**	2016 AED'000
Gain on change of fair value of trading securities (refer note 11.2)	**3,789**	113
Net gain on disposal of available for sale investments – quoted (refer note 11.1)	**10,031**	14,424
Net gain on disposal of available for sale investments – unquoted (refer note 11.1)	**79**	1,614
Rental income from investment properties (refer note 9)	**3,044**	3,217
Dividends and return from investments in securities	**10,082**	8,703
Others	**5,152**	1,751
	32,177	29,822

7. Profit for the year

The profit for the year is stated after charging:

	2017 **AED'000**	2016 AED'000
Staff costs:		
Wages and salaries	**34,530**	35,337
End of service benefits	**2,194**	2,294
Other employee benefits	**22,446**	15,131
	59,170	52,762
Finance expenses:		
Interest on bank borrowings	**8,719**	9,785
Bank charges	**152**	937
	8,871	10,722
Cost of sales:		
Material consumed	**412,138**	364,208
Depreciation on property, plant and equipment and investment properties (refer note 8 and 9)	**56,742**	54,084

8. Property, plant and equipment

	Freehold land AED' 000	Freehold buildings AED' 000	Plant and machinery AED' 000	Furniture and equipment AED' 000	Motors vehicles AED' 000	Quarry costs AED' 000	Capital work in progress AED' 000	Total AED' 000
Cost								
At 1 January 2016	32,902	382,065	1,170,740	37,894	42,519	4,364	11,061	1,681,545
Additions	-	1,224	18,511	1,999	5,714	-	35,631	47,165
Disposals	-	-	(5,654)	-	(3,219)	-	-	(8,873)
Transfer from inventories	-	-	15,914	-	-	-	-	15,914
Transfer from capital work in progress	-	15,143	30,044	-	-	-	(45,187)	-
At 31 December 2016	32,902	398,432	1,213,641	39,893	45,014	4,364	1,505	1,735,751
At 1 January 2017	32,902	398,432	1,213,641	39,893	45,014	4,364	1,505	1,735,751
Additions	-	1,513	1,364	1,270	490	-	65,046	69,683
Disposals	-	-	(87)	(4)	(496)	-	-	(587)
Transfer from capital work in progress	-	1,279	5,677	-	-	-	(6,956)	-
Transfer to investment properties (refer note 9)	(9,050)	(4,212)	-	-	-	-	-	(13,262)
At 31 December 2017	**23,852**	**397,012**	**1,220,595**	**41,159**	**45,008**	**4,364**	**59,595**	**1,791,585**

8. Property, plant and equipment *(continued)*

	Freehold land AED' 000	Freehold buildings AED' 000	Plant and machinery AED' 000	Furniture and equipment AED' 000	Motors vehicles AED' 000	Quarry costs AED' 000	Capital work in progress AED' 000	Total AED' 000
Depreciation								
At 1 January 2016	-	193,768	553,804	32,825	39,910	3,493	-	823,800
Charge during the year	-	12,056	36,816	1,429	1,720	64	-	52,085
Disposals	-	-	(5,654)	-	(3,119)	-	-	(8,773)
At 31 December 2016	-	205,824	584,966	34,254	38,511	3,557	-	867,112
At 1 January 2017	-	205,824	584,966	34,254	38,511	3,557	-	867,112
Charge during the year	-	12,429	38,374	1,619	2,253	64	-	54,739
Disposals	-	-	-	(3)	(496)	-	-	(499)
Transfer to investment properties (refer note 9)	-	(4,020)	-	-	-	-	-	(4,020)
At 31 December 2017	**-**	**214,233**	**623,340**	**35,870**	**40,268**	**3,621**	**-**	**917,332**
Net book value								
At 31 December 2017	**23,852**	**182,779**	**597,255**	**5,289**	**4,740**	**743**	**59,595**	**874,253**
At 31 December 2016	32,902	192,608	628,675	5,639	6,503	807	1,505	868,639

(i) Depreciation expense has been allocated as follows:

	2017 AED	2016 AED
Cost of sales	**52,756**	50,701
Administrative and general expenses	**1,983**	1,384
	54,739	52,085

8. Property, plant and equipment *(continued)*

(ii) Capital work in progress represents cost incurred towards construction of captive power plant for the cement factory and buildings. Borrowing cost of AED 0.6 million *(2016: AED 0.7 million)* have been capitalized as part of capital work in progress.

(iii) Plant and machinery with a net book value of AED 29.98 million *(2016: AED 31.04 million)* is mortgaged as security against one of the term loans (refer note 16).

(iv) Insurance over plant and machinery have been assigned in favour of the banks (refer note 16).

(v) During the current year land and building having net book value of AED 9.2 million have been reclassified to investment properties on change in use of the properties.

9. Investment properties

	Undeveloped land AED'000	Developed land AED'000	Buildings AED'000	Total AED'000
Cost				
At 1 January 2016	78,270	9,447	49,289	137,006
At 31 December 2016	78,270	9,447	49,289	137,006
At 1 January 2017	78,270	9,447	49,289	137,006
Additions	-	-	15,361	15,361
Transfer from property, plant and equipment (refer note 8)	-	9,050	4,212	13,262
At 31 December 2017	78,270	18,497	68,862	165,629
Depreciaton and impairment				
At 1 January 2016	-	-	22,904	22,904
Charge during the year	-	-	1,999	1,999
At 31 December 2016	-	-	24,903	24,903
At 1 January 2017	-	-	24,903	24,903
Charge during the year	-	-	2,003	2,003
On transfer from property, plant and equipment (refer note 8)	-	-	4,020	4,020
At 31 December 2017	-	-	30,926	30,926
Net book value				
At 31 December 2017	**78,270**	**18,497**	**37,936**	**134,703**
At 31 December 2016	78,270	9,447	24,386	112,103

9. Investment properties *(continued)*

(i) All of the Group's investment properties are held under freehold interests.

(ii) The fair value of the investment properties as at 31 December 2017 has been arrived on the basis of a valuation report issued by an independent valuer in accordance with the RICS Appraisal issued by the Royal Institute of Chartered Surveyors. The valuer is registered in the United Arab Emirates. The valuations, which conform to international valuation standards, were arrived at by using sales comparable valuation approach taking into account the prevailing market conditions/anecdotal transactions evidence on similar property types, market perception and sentiments. Following significant unobservable inputs were used:

- Comparable market price of the undeveloped land is in the range of AED 500 to AED 900 per square foot *(2016: AED 500 to AED 800 per square foot)*;

- Comparable market price of the developed land is in the range of AED 600 to AED 950 per square foot *(2016: AED 550 to AED 850 per square foot)*;

- Comparable market price of the buildings is in the range of AED 700 to AED 1,000 per square foot *(2016: AED 600 to AED 900 per square foot).*

Estimate of fair value would change if the above mentioned unobservable inputs change.

(iii) The fair value of the entire portfolio of investment properties as at 31 December 2017 is AED 339 million *(2016: AED 312 million).*

(iv) Investment properties include properties rented to third parties amounting to AED 41 million *(2016: AED 34 million).*

(v) During the year ended 31 December 2017, the Group has earned rental income amounting to AED 3.04 million *(2016: AED 3.22 million)* after offsetting depreciation charge during the year (refer note 6).

Determination of fair value

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

9. Investment properties *(continued)*

Fair value hierarchy

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
At 31 December 2017	**-**	**-**	**339,105**	**339,105**
	====	====	======	======
At 31 December 2016	-	-	311,520	311,520
	====	====	======	======

The fair value of investment properties is classified under level 3 fair value hierarchy.

10. Investment in equity accounted investee

	2017 AED '000	2016 AED '000
Autoline Industrial Parks Limited	**42,125**	42,125
	=====	=====

The investment in an associate represents a 34.48% *(2016: 34.48%)* holding in Autoline Industrial Parks Limited, an entity registered in India. The investment in Autoline Industrial Parks Limited is treated as an investment in an associate and recorded as an equity accounted investee. The entity has not yet commenced commercial operations.

At the Annual General Meeting held on 15 April 2017, in respect of the investment in an associate, the board of directors approved and communicated to the shareholders, the joint development of the land held by the associate along with its Indian partner and a leading developer in India. Subsequent to that, the Group has signed a memorandum of understanding with the Developer. The Group is considering various options in terms of this investment and are in discussion with the other shareholder in India. Based on current negotiations and cash flow projections, no loss is expected on this investment.

Summarised financial information of Autoline Industrial Parks Limited is as follows:

In AED '000	Assets	Liabilities
2017	**66,183**	**5,683**
	=====	====
2016	58,717	1,341
	=====	====

11. Investments

		2017 AED '000	2016 AED '000
Available for sale investments			
Investment in quoted securities - refer note 11.1		**216,615**	195,838
Investment in unquoted securities - refer note 11.1		**31,323**	37,111
		----------	----------
	(i)	**247,938**	232,949
		----------	----------
Trading securities at fair value through profit or loss			
Held for trading quoted equity securities - refer note 11.2		**9,203**	9,398
		-------	-------
	(ii)	**9,203**	9,398
		----------	----------
	(i) + (ii)	**257,141**	242,347
		======	======

	2017 AED '000	2016 AED '000
Equity and debt securities		
Quoted:		
UAE	**159,174**	151,253
Outside UAE	**66,644**	53,983
Unquoted:		
UAE	**5,100**	5,100
Outside UAE	**26,223**	32,011
	----------	----------
	257,141	242,347
	======	======

11.1 Available for sale investments

Movements in the available for sale investments were as follows:

	2017 AED '000	2016 AED '000
As at 1 January	**232,949**	278,653
Purchase during the year	**44,861**	25,464
Change in fair value	**6,902**	(5,006)
Disposals during the year	**(36,774)**	(66,162)
	----------	----------
As at 31 December (refer note 11)	**247,938**	232,949
	======	======

11. Investments *(continued)*

11.1 Available for sale investments *(continued)*

Sensitivity analysis – equity price risk

The Group's investments in quoted equity securities are listed on the Dubai Financial Market (DFM), Abu Dhabi Security Exchange (ADX), Kuwait Stock Exchange (KSE), National Stock Exchange of India Ltd (NSE) and Bahrain Stock Exchange (BSE). For such investments classified as available for sale, a 10 % increase/(decrease) in all of these stock exchanges at the reporting date would have increased OCI/(decreased OCI) by AED 21.7 million *(2016: AED : 19.6 million).*

Unquoted investments are carried at net book value of shares in the respective investee companies as at 31 December 2017. The management is of the view that the fair value of these unquoted investments is not expected to be materially different from the net book value of the investee companies at the reporting date.

Cumulative changes in fair value of available for sale investments

	2017	2016
	AED'000	AED'000
As at 1 January	**42,686**	52,880
Add/(less): increase/(decrease) in fair value during the year	**6,902**	(5,006)
Less: gain during the year transferred to profit or loss (refer note 6)	**(10,110)**	(16,038)
Add: impairment loss recognised in profit or loss	**1,102**	10,850
As at 31 December	**40,580**	42,686

11.2 Trading securities at fair value through profit or loss

Movement during the year was as follows:

	2017	2016
	AED'000	AED'000
As at 1 January	**9,398**	9,618
Addition during the year	**6,935**	2,735
Gain on fair valuation of investments – unrealized (refer note 6)	**3,789**	113
Disposals during the year	**(10,919)**	(3,068)
As at 31 December (refer note 11)	**9,203**	9,398

11. Investments *(continued)*

11.3 Measurement of fair values

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market. The fair values are based on market price at the valuation date. The Group's investment in held for trading quoted equity securities are classified in this category.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less active; broker quotes; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

In certain cases, the valuation is also determined based on fund manager valuation reports and project progress reports. The Group's investment in unquoted equity securities and funds are classified in this category. Generally, a change in underlying comparative data used for estimating fair value is accompanied by change in the fair value.

The management has reviewed fair value of investments at fair value through other comprehensive income and accordingly, a fair valuation gain of AED 6.9 million has been recorded during the current year in other comprehensive income *(2016: loss of AED 5 million)*.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
At 31 December 2017				
Available for sale investments	**216,615**	**-**	**31,323**	**247,938**
Trading securities at fair value through profit or loss	**9,203**	**-**	**-**	**9,203**
	225,818	**-**	**31,323**	**257,141**

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2016				
Available for sale investments	195,838	-	37,111	232,949
Trading securities at fair value through profit or loss	9,398	-	-	9,398
	205,236	-	37,111	242,347

12. Inventories

	2017	2016
	AED'000	AED'000
Raw materials	**50,350**	67,820
Work in progress and semi-finished goods	**134,410**	112,624
Finished goods	**14,807**	16,056
Stores and spares	**96,987**	99,114
	----------	----------
	296,554	295,614
Less: Provision for slow moving inventories	**(30,744)**	(32,693)
	----------	----------
	265,810	262,921
Goods in transit	**3,345**	3,508
	----------	----------
	269,155	266,429
	======	======

Movement in the provision for slow moving inventories

	2017	2016
	AED'000	AED'000
At 1 January	**32,693**	29,944
Add: provided during the year	**-**	2,749
Less: written off during the year	**(1,949)**	-
	--------	--------
At 31 December	**30,744**	32,693
	=====	=====

13. Trade and other receivables

	2017	2016
	AED'000	AED'000
Trade receivables	**198,975**	192,266
Less: Allowance for impairment	**(7,068)**	(8,213)
	----------	----------
	191,907	184,053
Prepayments and advances to suppliers	**10,168**	4,472
Deposits and other receivables	**3,708**	24,600
	----------	----------
	205,783	213,125
	======	======

13. Trade and other receivables *(continued)*

Movement in the allowance for impairment of trade receivables is as follows:

	2017 **AED'000**	2016 AED'000
At 1 January	**8,213**	7,992
Add: provided during the year	**55**	221
Less: reversal during the year	**(1,200)**	-
At 31 December	**7,068**	8,213

14. Cash in hand and at bank

	2017 **AED'000**	2016 AED'000
Cash in hand	**529**	586
Cash at banks	**51,495**	46,305
	52,024	46,891

15. Trade and other payables

	2017 **AED'000**	2016 AED'000
Trade payables	**66,732**	62,533
Accruals and other payables	**40,042**	46,353
Unclaimed dividend payable to shareholders	**13,143**	13,639
Payable against construction of property, plant and equipment (refer note below)	**2,010**	4,787
	121,927	127,312

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

16. Bank borrowings

	2017	2016
	AED'000	AED'000
Long term borrowings:		
Term loans	**79,169**	146,290
Less: short term portion of term loans	**(30,800)**	(85,925)
	---------	---------
Long term portion of loan	**48,369**	60,365
	=====	=====
Short term borrowings:		
Short term loans	**132,255**	88,038
Current portion of term loans	**30,800**	85,925
	----------	----------
	163,055	173,963
	======	======

(i) All facilities bear interest rates at prevailing market rates.

(ii) Bank borrowings are mainly secured by mortgage over property, plant equipment. (refer note 8).

(iii) Insurance over plant and machinery have been assigned in favor of the banks. (refer note 8).

(iv) Demand promissory note for AED 320 million in favor of the bank as a security against the bank facilities.

(v) Bank borrowings are also subject to certain financial covenants. Testing for compliance with the financial covenants is done annually on 31 December. As at 31 December 2017, the Group had complied with the financial covenants as specified in the facility letters with the banks.

17. Provision for staff terminal benefits

	2017	2016
	AED'000	AED'000
Balance at 1 January	**25,206**	27,001
Provision made during the year	**4,205**	2,294
Payments made during the year	**(3,629)**	(4,089)
	--------	--------
Balance at 31 December	**25,782**	25,206
	=====	=====

18. Share capital

	2017	2016
	AED'000	AED'000
Authorised, issued and fully paid up:		
608,253,746 shares of AED 1 each		
(2016: 552,957,951 shares of AED 1 each)	**608,254**	552,958
	======	======

During the year, the Group has issued convertible Sukuk amounting to AED 55,295,795 in favor of Sharjah Social Security Fund which was converted into ordinary shares of the Group for an amount of AED 55,295,795 at par value of AED 1.

19. Statutory reserve

In accordance with Article 239 of the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, a minimum of 10% of the net profit of the Company is allocated every year to a non-distributable statutory reserve. Such allocation may be ceased when the statutory reserve equals half of the paid up share capital of the Company. This reserve is not available for distribution except in circumstances stipulated by the law. The Board of Directors have not proposed any further transfer to the statutory reserve as the reserve is in excess of 50% of the paid up share capital.

20. General reserve

As per Company's Articles of Association, 10% of the profit for the year has to be transferred to 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 approval of shareholders in an ordinary general meeting. The Board of Directors have not proposed any further transfer to the general reserve as the reserve is in excess of 25% of the paid up share capital.

21. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Group and the weighted average number of ordinary shares outstanding as at 31 December 2017, calculated as follows:

	2017	2016
Net profit for the year (AED'000)	**64,785**	64,042
	=====	=====
Weighted average number of shares outstanding ('000)	**608,254**	608,254
	======	======
Basic and diluted earnings per share (AED)	**0.107**	0.105
	====	====

22. Contingent liabilities and commitments

As at 31 December 2017, the Group has issued guarantees relating to performance bonds amounting to AED 4.28 million *(2016: AED 2.94 million)*, from which it is anticipated that no material liabilities will arise.

Estimated capital expenditure commitment at the statement of financial position date amounted to AED 154.29 million *(2016: Nil).*

The Group also has commitments of AED 13.78 million *(2016: AED 5.86 million)* on account of investments made in securities and funds. The Group has to pay as and when calls are made by the fund managers/investee companies.

23. Dividend

Dividend paid

At the Annual General Meeting held on 15 April 2017, the shareholders approved cash dividend of AED 44.24 million at AED 0.08 per share, as proposed by the Board of Directors, in respect of the year ended 31 December 2016. The dividend has been paid during the current year.

23. Dividend *(continued)*

Proposed cash dividend

At the Board of Directors Meeting held on 3 March 2018, the directors proposed an 8% cash dividend totaling to AED 48.6 million in respect of the year ended 31 December 2017, which is subject to the approval by the shareholders in the annual general meeting.

24. Segment reporting

The Group has broadly two major reportable segments as described below, which are the Group's strategic business units. The strategic business units operate in different sectors and are managed separately because they require different strategies. The following summary describes the operation in each of the Group's reportable segments:

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

Investment segment is organised into two business units as follows:

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

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

	2017	2016
	AED'000	AED'000
Manufacturing		
Revenue	**649,969**	612,815
Cost of sales	**(592,811)**	(543,447)
Gross profit	**57,158**	69,368
Miscellaneous income	**1,720**	4,312
Expenses	**(9,295)**	(9,212)
Net segment results	**49,583**	64,468
Investment		
Income from investment in private and public equities and funds	**28,567**	28,075
Interest income	**285**	459
Other income/(expenses)	**281**	(1,929)
Impairment of available for sale investment	**(1,102)**	(10,850)
	28,031	15,755
Income from investment properties	**5,047**	5,216
Depreciation	**(2,003)**	(1,999)
Net segment results	**31,075**	18,972
Finance costs	**(8,871)**	(10,722)
Unallocated expenses - Head office	**(7,002)**	(8,676)
Profit for the year	**64,785**	64,042

24. Segment reporting *(continued)*

Other information

	31 December 2017			31 December 2016		
	Manufacturing AED'000	**Investment AED'000**	**Total AED'000**	Manufacturing AED'000	Investment AED'000	Total AED'000
Segment assets	**1,390,920**	**444,264**	**1,835,184**	1,367,957	423,702	1,791,659
Segment liabilities	**359,133**	**-**	**359,133**	386,842	4	386,846
Depreciation	**54,739**	**2,003**	**56,742**	52,085	1,999	54,084
Capital expenditure	**69,684**	**-**	**69,684**	63,079	-	63,079

Geographical information

The following table presents revenue, asset and liability information regarding geographic segments for the years ended 31 December 2017 and 31 December 2016.

	31 December 2017			31 December 2016		
	Domestic AED'000	**International AED'000**	**Total AED'000**	Domestic AED'000	International AED'000	Total AED'000
Revenue	**492,291**	**157,678**	**649,969**	473,501	139,314	612,815
Investment income	**21,474**	**10,703**	**32,177**	26,514	3,308	29,822

	31 December 2017			31 December 2016		
	Domestic AED'000	**International AED'000**	**Total AED'000**	Domestic AED'000	International AED'000	Total AED'000
Assets	**1,672,736**	**162,448**	**1,835,184**	1,635,071	156,588	1,791,659
Liabilities	**291,086**	**68,047**	**359,133**	332,945	53,901	386,846
Capital expenditure	**69,684**	**-**	**69,684**	63,079	-	63,079

25. Related parties transactions

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significant influenced by such parties. Pricing polocies and terms of these transactions are approved by the Group's management and mutually agreed with the related parties.

Compensation of key management personnel is as follows:

	2017	2016
	AED'000	AED'000
Short term employee benefits and end of service benefit	**13,188**	14,155
	=====	=====
Total compensation paid to key management personnel	**13,188**	14,155
	=====	=====
Number of key management personnel	**22**	22
	==	==
Director's fees (refer note below)	**2,500**	2,500
	=====	====

At the Board of Directors meeting held on 3 March 2018, the directors proposed an appropriation for the directors' fee amounting to AED 2.5 million for the year ended 31 December 2017 which is subject to the approval by the shareholders in the annual general meeting. At the Annual General Meeting held on 15 April 2017, the shareholders approved the directors' fee amounting to AED 2.5 million for the year ended 31 December 2016.

26. Financial instruments

Financial assets comprise trade and other receivables and cash at bank. Financial liabilities comprise trade and other payables and borrowings. Accounting policies for financial assets and financial liabilities are set out in note 3.

a) Credit risk

Exposure to credit risk

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

	2017	2016
	AED'000	AED'000
Trade receivables (net of provision)	**191,907**	184,053
Deposits and other receivables	**3,708**	24,600
Cash at bank	**51,495**	46,305
	----------	----------
	247,110	254,958
	======	======

The maximum exposure to credit risk for other financial assets and trade receivables at the reporting date by geographic region was:

	2017	2016
	AED'000	AED'000
Domestic	**220,946**	227,440
Other GCC countries	**13,076**	15,691
Other regions	**13,088**	11,827
	----------	----------
	247,110	254,958
	======	======

26. Financial instruments *(continued)*

a) Credit risk *(continued)*

The age of trade receivables at the reporting date was:

	2017 Gross AED'000	**2017 Impairment AED'000**	2016 Gross AED'000	2016 Impairment AED'000
Past due 0-90 days	**135,655**	**-**	121,223	-
Past due 91-120 days	**31,190**	**-**	32,509	-
Past due more than 120 days	**32,130**	**(7,068)**	38,534	(8,213)
	198,975	**(7,068)**	192,266	(8,213)

The Group limits its exposure to credit risk by investing with counterparties that have credible market reputation. The Group's management does not expect any counterparty to fail to meet its obligations. There has been early repayment of other financial assets during the current year than the agreed schedule. The remaining balance is considered fully recoverable by management.

Cash is placed with local and international banks of good repute.

b) Liquid risk

The following are the contractual maturities of financial liabilities, including interest payments:

31 December 2017	**Carrying amount AED'000**	**Contractual cash flows AED'000**	**Less than 1 year AED'000**	**More than 1 year AED'000**
Non-derivative financial liabilities				
Trade and other payables	**119,917**	**119,917**	**119,917**	**-**
Payable against construction of property, plant and equipment	**2,010**	**2,010**	**2,010**	**-**
Bank borrowings	**211,424**	**219,881**	**170,043**	**49,838**
	333,351	**341,808**	**291,970**	**49,838**
31 December 2016				
Non-derivative financial liabilities				
Trade and other payables	122,525	122,525	122,525	-
Payable against construction of property, plant and equipment	4,787	4,787	4,787	-
Bank borrowings	234,328	244,872	181,794	63,078
	361,640	372,184	309,106	63,078

26. Financial instruments *(continued)*

c) Market risk

Currency risk

The Group has no significant exposure to foreign currency risk at the reporting date.

Interest rate risk

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2017	2016
	AED'000	AED'000
Fixed rate instruments		
Financial assets	**874**	7,957
	===	====
Variable rate instruments		
Financial liabilities	**211,424**	234,328
	======	======

Fair value sensitivity analysis for fixed interest rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit or loss	
	100 bp increase AED'000	**100 bp Decrease AED'000**
31 December 2017	**(2,114)**	**2,114**
	=====	====
31 December 2016	(2,343)	2,343
	=====	====

Equity price risks

The Group is exposed to equity price risks arising from quoted investments. Refer note 11 for the equity price sensitivity analysis of these investments.

Fair values

The management of the Group believes that fair value of its financial assets and liabilities are not materially different from the carrying amount at the reporting date. Also refer note 9 and 11.

27. Significant accounting judgments and estimates

Investment in securities

Investments are classified as either available-for-sale or fair value through profit or loss. In judging whether investments are held for trading or available-for-sale, the management has considered the detailed criteria for determination of such classification as detailed in accounting policies. The management is satisfied that its investments in securities are appropriately classified as either available-for-sale or fair value through profit or loss.

Estimate of fair value of financial instruments

The management uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 11 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

Estimating useful lives of investment properties and own-use property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its investment properties and property, plant and equipment. The Group has carried out a review of the residual values and useful lives as at 31 December 2017 to assess the reasonableness of such estimates. Management has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods.

Provision for obsolete inventory

The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the management of the Group makes judgments as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value for such product. Accordingly, provision for impairment is made where the net realisable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on the physical identification and the past movement of the inventory.

Impairment losses on receivables

The Group reviews its receivables to assess impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be reported in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Impairment losses on property, plant and equipment

The Group reviews its property, plant and equipment to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recognised in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a reduction in the carrying value of property, plant and equipment. Accordingly, provision for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property, plant and equipment.

27. Significant accounting judgments and estimates *(continued)*

Recoverability of investment in an associate ("equity accounted investees")

Recoverability of investment in equity accounted investees is an area involving significant management judgement, and requires an assessment as to whether the carrying value of the investment in equity accounted investees can be supported by the carrying value of the assets held by equity accounted investees.

For land held by equity accounted investees, the Group management has reviewed the fair value of the land as at 31 December 2017, based on future plans for development or sale of the land. As a result management is confident that the value of investment is fully recoverable.

Valuation of investment properties

Investment properties are accounted for using the cost model and are stated at cost less accumulated depreciation and impairment losses, if any. The fair values for buildings have been determined taking into consideration the related yields. Fair values for lands have been determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties. The fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. It is reasonably possible, based on existing knowledge, that the current assessments of fair values could require material adjustment within the next financial year due to changes in the market conditions and assumptions used.

28. Comparative information

Certain comparative figures have been reclassified/ regrouped, whenever necessary to conform to the presentation adopted in these consolidated financial statements.