

National Cement Company
Public Shareholding Company

Financial statements
31 December 2005

National Cement Company Public Shareholding Company

Financial statements

31 December 2005

<i>Contents</i>	<i>Page</i>
Directors' report	1
Report of the Auditors	2
Income statement	3
Balance sheet	4
Statement of cash flows	5
Statement of changes in equity	6
Notes	7 - 23



شركة الإسمنت الوطنية ش.م.ع.
National Cement Co. p.s.c.

BOARD OF DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED ON 31.12.2005

Dear Shareholders,

"Assalam-u-Alaikum"

The Board of Directors of National Cement Company (PSC), Dubai, are pleased to welcome you and would like to thank all the shareholders for attending to this General Assembly Meeting. It is our pleasure to put forward a brief report about the results of the Company based on the Audited Financial Statements for the financial year ended 31.12.2005.

First : Production

The Company has completed its 26th production year and by the help and blessings of God Almighty, the Company has achieved good production target which is more than its normal capacity.

Second : Investment:

The Company has invested surplus amount of profit in selling and buying of shares, real estates and other business fields.

Third : Projects

The Company has already initiated modification of kiln project and the same is expected to complete by end of first half of 2006.

Four : Change in Share value & Registration of Company's shares in Dubai Financial Market:

The Company has completed all the formalities to revise value of each share of the Company from Dhs.100/- to Dhs.1/- per share as per the notification from the Ministry of Economy No.382 dated 26.09.2005 and also as mentioned in the Government Gazette No.434 of 2005 the shares of the National Cement Company have been registered with the Dubai Financial Market on 20.11.2005.

Fifth: Dividend:

The profit for the financial year ended 31.12.2005 is UAE Dhs.254,488,000. The Board of Directors after studying the Balance Sheet decided to appropriate the profit as below:-

- 1-Payment of 50% cash on the value of each share to the shareholder as dividend;
- 2-allotment of one bonus share on each share held by the shareholder;
- 3-payment of Dhs.200,000 as fees to each of the Board of Director;
- 4-the balance will be transferred to the balance sheet.

Sixth: Balance Sheet:

The National Cement Company (PSC) has prepared the financial statement for the year 2005 and handed over to the Company's Auditors M/s KPMG. The Auditors will depute a Representative from their side to discuss and have clarifications about the Balance Sheet of the Company in the meeting.

Finally on the occasion of the closing of the Accounts of the Company the Board of Directors would like to thank all the concerned who have contributed their efforts for the development of the Company and express the good wishes in the future endeavors.

"Assalam-u-Alaikum"

ABDULLA AHMED AL-GHURAIR
CHAIRMAN



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The Shareholders
National Cement Company Public Shareholding Company

Report of the Auditors

We have audited the accompanying balance sheet of National Cement Company Public Shareholding Company ("the Company") as of 31 December 2005 and the related statements of income, cash flows and changes in equity for the year then ended. The financial statements of the Company for the prior year ended 31 December 2004, before restatement, were audited by another firm of auditors whose report dated 6 April 2005 expressed an unqualified opinion on those financial statements. Certain opening balances and comparative figures have been restated mainly on account of changes in accounting policies due to first time adoption of International Financial Reporting Standards effective 1 January 2005 (refer note 2).

Respective responsibilities of the Company's Management and the Auditors

These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

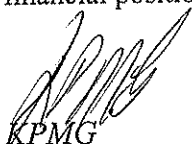
We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply, where appropriate, with the Articles of Association and the UAE Federal Law No. 8 of 1984 (as amended).

Other matters

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company, a physical count of the inventories was carried out by management in accordance with established principles, and the content of the Directors' report which relate to these financial statements is in agreement with the Company's financial records. We are not aware of any violation of the above-mentioned Law and the Articles of Association having occurred during the year ended 31 December 2005 which may have had a material adverse effect on the business of the Company or its financial position.


KPMG

Vijendranath Malhotra
Registration No: 48B

18 MAR 2006

National Cement Company Public Shareholding Company

Income statement

for the year ended 31 December 2005

	Note	2005 AED'000	2004 AED'000
Turnover	4	450,436	326,651
Cost of sales	5	(253,300)	(245,486)
Gross profit		197,136	81,165
Administrative and general expenses	6	(29,146)	(24,815)
Finance charges		(958)	(85)
Other income	7	38,421	35,416
Profit on sale of marketable equity securities	10	49,035	21,435
Net profit for the year		254,488	113,116
Basic earnings per share (AED)	24	2.77	1.23

The notes set out on pages 7 to 23 form part of these financial statements.

The report of the Auditors is set out on page 2.

National Cement Company Public Shareholding Company

Balance sheet

as at 31 December 2005

	Note	2005 AED'000	2004 AED'000 (restated)
Property, plant and equipment	8	160,768	104,540
Investment properties	9	11,406	11,406
Long term portion of investment in marketable securities	10	2,027,802	923,770
Investment in an associate	11	739	-
Long term receivables	12	4,123	4,123
		<u>2,204,838</u>	<u>1,043,839</u>
Current assets			
Current portion of investment in marketable securities	10	36,820	30,230
Inventories	13	75,604	52,082
Trade and other receivables	14	171,823	137,331
Due from related parties	17	39,025	32,851
Cash at bank and in hand	15	87,996	13,230
		<u>411,268</u>	<u>265,724</u>
Current liabilities			
Trade and other payables	16	42,922	43,224
Due to related parties	17	22,300	26
Bank overdraft	15	541	-
		<u>65,763</u>	<u>43,250</u>
Net current assets		345,505	222,474
Provision for end of service benefits	18	(18,023)	(16,000)
		<u>2,532,320</u>	<u>1,250,313</u>
Represented by:			
Share capital	19	92,000	92,000
Share application money payable		26	26
Development and investment reserve	20	300,000	300,000
Cumulative changes in fair value of investments available for sale		1,609,960	548,641
General reserve	21	69,000	69,000
Statutory reserve	22	46,000	46,000
Retained earnings		369,334	162,446
Proposed dividend	23	46,000	32,200
		<u>2,532,320</u>	<u>1,250,313</u>

The notes set out on pages 7 to 23 form part of these financial statements.

We approve these financial statements and confirm that we are responsible for them, including selecting the accounting policies and making the judgments underlying them. We confirm also that we have made available all relevant accounting records and information for their compilation.

These financial statements were approved and authorised for issue by the Board of Directors on _____ and were signed on their behalf by:

Chairman 

Director 

18 MAR 2006

The report of the Auditors is set out on page 2.

National Cement Company Public Shareholding Company

Statement of cash flows

for the year ended 31 December 2005

	2005 AED'000	2004 AED'000
Operating activities		
Net profit for the year	254,488	113,116
<i>Adjustments for:</i>		
Depreciation	15,157	15,959
Profit on disposal of property, plant and equipment	(230)	(269)
Loss on write off of property, plant and equipment	3,028	10,002
Profit on disposal of marketable equity securities	(49,035)	(21,435)
Provision for end of service benefits	2,353	1,197
	-----	-----
<i>Operating profit before working capital changes</i>	225,761	118,570
(Increase)/decrease in inventories	(23,522)	4,040
Increase in trade and other receivables	(34,492)	(20,292)
Increase in due from related parties	(6,174)	(15,243)
(Decrease)/increase in trade and other payables	(1,902)	7,489
Increase/(decrease) in due to related parties	22,274	(1,366)
Payment of end of service benefits	(330)	(418)
	-----	-----
<i>Cash flows from operating activities</i>	181,615	92,780
	-----	-----
Investing activities		
Acquisition of property, plant and equipment	(74,432)	(15,928)
Investment in an associate	(739)	55
Proceeds from disposal of property, plant and equipments	249	598
Additions to investment in securities	(110,088)	(189,809)
Proceeds from disposal of investment in securities	109,820	151,550
	-----	-----
<i>Cash flows from investing activities</i>	(75,190)	(53,534)
	-----	-----
Financing activities		
Dividend paid	(32,200)	(27,600)
	-----	-----
<i>Cash flows from financing activities</i>	(32,200)	(27,600)
	-----	-----
Net increase in cash and cash equivalents	74,225	11,646
Cash and cash equivalents at the beginning of the year	13,230	1,584
	-----	-----
Cash and cash equivalents at the end of the year	87,455	13,230
	=====	=====
These comprise the following:		
Cash at bank and in hand	87,996	13,230
Bank overdraft	(541)	-
	-----	-----
	87,455	13,230
	=====	=====

The notes set out on pages 7 to 23 form part of these financial statements.

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National Cement Company Public Shareholding Company

Statement of changes in equity for the year ended 31 December 2005

	Share capital AED'000	Share applica- tion money AED'000	Invest- ment reserve AED'000	Cumulative changes in fair value of investments available for sale AED'000	General reserve AED'000	Statu- tory reserve AED'000	Retained earnings AED'000	Pro- posed dividend AED'000	Total AED'000
At 1 January 2004	92,000	26	300,000	-	69,000	46,000	62,730	27,600	597,356
Adjustments for material misstatement (refer note 2(a))	-	-	-	-	-	-	20,000	-	20,000
Adjustments for first time adoption of IFRS (refer note 2(b)(i))	-	-	-	308,022	-	-	-	-	308,022
At 1 January 2004 as restated	92,000	26	300,000	308,022	69,000	46,000	82,730	27,600	925,378
Adjustments for first time adoption of IFRS (refer note 2(b)(i))	-	-	-	244,036	-	-	-	-	244,036
Transfer of unrealised gain on sale of investments (refer note 10)	-	-	-	(3,417)	-	-	-	-	(3,417)
Net profit for the year	-	-	-	-	-	-	113,116	-	113,116
Director's fees	-	-	-	-	-	-	(1,200)	-	(1,200)
Dividend paid	-	-	-	-	-	-	-	(27,600)	(27,600)
Proposed dividend	-	-	-	-	-	-	(32,200)	32,200	-
At 31 December 2004 as restated	92,000	26	300,000	548,641	69,000	46,000	162,446	32,200	1,250,313
At 1 January 2005 as previously stated	92,000	26	300,000	-	69,000	46,000	142,446	32,200	681,672
Adjustments for first time adoption of IFRS and material misstatement (refer note 2)	-	-	-	548,641	-	-	20,000	-	568,641
At 1 January 2005 as restated	92,000	26	300,000	548,641	69,000	46,000	162,446	32,200	1,250,313
Dividend paid	-	-	-	-	-	-	-	(32,200)	(32,200)
Net movement in changes in fair value (refer note 10)	-	-	-	1,077,917	-	-	-	-	1,077,917
Transfer of unrealised gain on sale of investments (refer note 10)	-	-	-	(16,598)	-	-	-	-	(16,598)
Net profit for the year	-	-	-	-	-	-	254,488	-	254,488
Director's fees	-	-	-	-	-	-	(1,600)	-	(1,600)
Proposed dividend	-	-	-	-	-	-	(46,000)	46,000	-
At 31 December 2005	92,000	26	300,000	1,609,960	69,000	46,000	369,334	46,000	2,532,320

The notes on pages 7 to 23 form part of these financial statements.

The report of the Auditors is set out on page 2.

National Cement Company Public Shareholding Company

Notes

(forming part of the financial statements)

1 Legal status and principal activities

National Cement Company Public Shareholding Company ("the Company") is registered in accordance with the decree issued by His Highness the Ruler of Dubai on 10 April 1968 establishing cement company in the Emirate of Dubai and in accordance with the provisions of the UAE Federal Law No. 8 of 1984 (as amended). The registered address of the Company is PO Box 4041, Dubai, United Arab Emirates.

The principal activity of the Company is to manufacture and sell cement and cement related products. The Company also invests in marketable securities. During the current year, the Company has been listed on the Dubai Financial Market.

2 Change in the accounting policies on the adoption of International Financial Reporting Standards (IFRS) and rectification of material misstatement in the prior years

Effective 1 January 2005, the Company decided to adopt IFRS for the preparation of its financial statements for the year ended 31 December 2005. As a result, the Company changed its accounting policy on the recognition and measurement of financial instruments and investment properties by adopting International Accounting Standards (IAS) 39 - Financial Instruments: Recognition and Measurement and IAS 40-Investment Property respectively.

Accordingly, certain balances have been restated to conform to the requirement of IFRS 1 – First-time Adoption of International Financial Reporting Standards and IAS 8-Accounting policies, Changes in Accounting Estimates and Errors to account for the change in accounting policies and rectification of material misstatement in the prior years with retrospective effect as set out below:

(a) Gain on sale of marketable equity securities

Until prior year, the Company was carrying AED 20 million as a liability under other payables which represented unrecognised realised gain on sale of marketable equity securities prior to 2004. In the opinion of the Management, this amount was carried as a provision to cover any future losses on account of investment in marketable equity securities.

During the current year, the Company has restated other payable balance and retained earnings at 1 January 2005 with retrospective effect by restating the comparative figures in accordance with IAS 8. Accordingly, opening retained earnings at 1 January 2004 have increased by AED 20 million and other payables balance has decreased by a similar amount. Also refer note 16.

(b) Change in accounting policies on adoption of IFRS

(i) Accounting for investment in marketable securities

Until prior year, the Company was carrying its marketable investment securities at cost. During the current year, on adoption of IAS 39, the Company has designated investment amounting to AED 126.26 million at 31 December 2003 as "Available for Sale" investments and revalued them to fair value being the market quotes at the balance sheet date, with the fair value gain or loss being recognised in equity. Accordingly, the Company has restated investment and equity balance with retrospective effect by restating the comparative figures. As a result, the carrying value of available for sale investments at 1 January 2004 and equity has increased by AED 308.02 million and at 1 January 2005 these balances have increased by an additional amount of AED 244.04 million. Also refer note 10.

National Cement Company Public Shareholding Company

Notes (continued)

2 Change in the accounting policies on the adoption of International Financial Reporting Standards (IFRS) and rectification of material misstatement in the prior years (continued)

(b) Change in accounting policies on adoption of IFRS (continued)

(ii) Accounting of investment property

Until prior year, the Company was carrying its investment properties comprising land and buildings under property, plant and equipment. The carrying value of investment properties at 31 December 2004 amounted to AED 2.9 million. During the current year on adoption of IAS 40, the Company has adopted the 'cost model' under IAS 40, whereby these investment properties are stated at cost less accumulated depreciation and any impairment losses. Accordingly, the Company has reclassified the cost of investment properties amounting to AED 2.9 million after adjusting the accumulated depreciation with retrospective effect by restating the comparative figures. As a result, the original cost and accumulated depreciation under property, plant and equipment at 1 January 2005 have decreased by AED 19.5 million and AED 16.6 million respectively and investment properties balance has increased by the similar amount. Also refer notes 8 and 9.

3 Principal accounting policies

Statement of compliance

As stated in note 2, effective 1 January 2005, the Company decided to adopt IFRS for the preparation of its financial statements. Accordingly, these financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and its interpretations adopted by the International Accounting Standards Board and the requirements of UAE Federal Law No. 8 of 1984 (as amended). Being the first year of adoption of IFRS for the purpose of these financial statements, the requirements of IFRS 1 have been applied.

Basis of preparation

These financial statements are presented in United Arab Emirates Dirhams ("AED"), rounded to the nearest thousand and are prepared under the historical cost convention as modified to include the measurement at fair value of available for sale investment securities.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical evidence and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future period if the revision affects both current and future periods.

Judgements made by management (including Board of Directors) in the application of IFRS that have significant effect on these financial statements and estimates with material adjustments in the next year are mainly related to provision for uncollectible receivables, provision for obsolete inventory and fair value estimation of investment property.

National Cement Company Public Shareholding Company

Notes *(continued)*.

3 Principal accounting policies *(continued)*

Basis of preparation *(continued)*

The following accounting policies, which comply with IFRSs, have been applied consistently, in dealing with items that are considered material in relation to these financial statements.

Accounting for Associate

These financial statements reflect the operating results and the financial position of the Company only, and do not include the operating results and financial position of the associate. At the balance sheet date, the associate is in the formation stage and does not have commercial operations. Accordingly, the investment in associate has not been equity accounted. The Company's management on the basis of the financial position of the associate has confirmed that non equity accounting of the associate does not materially impact the financial position of the Company.

Turnover

Turnover primarily represents the invoiced value of goods sold less any returns or discounts allowed.

Revenue recognition

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the customer.

Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

Dividend income

Dividend is recognised when the Company's right to receive the payment is established.

National Cement Company Public Shareholding Company

Notes (continued)

3 Principal accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of related overheads.

Capital work in progress

Capital work in progress represents assets under construction. No depreciation is charged on capital work in progress until completion of construction.

Subsequent expenditure

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such item when that cost is incurred, it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is calculated from the date of acquisition so as to write off the cost of property, plant and equipment in equal instalments over their estimated useful lives as follows:

Assets	Life (years)
Buildings	3-14
Plant and machinery	3-25
Mobile equipment and vehicles	3
Furniture, fixtures and equipment	4-7

Land is not depreciated. The depreciation methods, useful lives and residual value of property, plant and equipment is reassessed annually.

Investment properties

Land and buildings owned by the Company for the purposes of generating rental income or capital appreciation or both are classified as investment properties.

Investment properties are accounted for under the 'cost model' under IAS 40-Investment Property and are stated at cost less accumulated depreciation and impairment losses, if any. The buildings forming part of investment properties have been depreciated from the date of acquisition so as to write off the cost of buildings in equal instalments over their estimated useful life that ranges from 3 to 14 years. Also refer note 2(b)(ii).

Associates

Associates are those enterprises in which the Company has significant influence and which are neither subsidiaries nor joint ventures. Significant influence exists when the Company has the power to participate in the financial and operating policy decisions of an enterprise, but does not have control over financial and operating policies.

Operating lease payments/receipts

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 recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives allowed by the lessor are recognised in the income statement as an integral part of the total lease payments made/receipts obtained.

National Cement Company Public Shareholding Company

Notes (continued)

3 Principal accounting policies (continued)

Investments in securities

Investments in securities are classified as current or long-term assets depending on the duration for which these are intended to be held.

Available for sale investments

These investments are those financial assets that are not loans or receivables originated by the Company, held to maturity investments or financial assets held for trading. Investments in marketable securities are initially recognised at cost, being the fair value of the consideration given and including charges associated with the acquisition of the investment. After initial recognition, investments are re-measured at fair value with unrealised gains and losses reported in equity, except for impairment losses, under the caption, "Cumulative changes in fair value". When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in income statement. The fair value of quoted available for sale investments is the quoted market price in an active market at the balance sheet date. For investments where there is no market price, fair value is estimated on the basis of the market price of comparable investments or by reference to the expected future cash flows.

Held to maturity investments

Where the Company has the positive intent and ability to hold bonds to maturity, they are stated at amortised cost less impairment losses, if any. On interest bearing investments, interest calculated using the effective interest method is recognised in the income statement.

Also refer note 2(b)(i).

Trade and other receivables

Trade and other receivables are stated at amortized cost less impairment losses (refer accounting policy on impairment), if any.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses.

(i) Raw materials

The cost of raw material is based on weighted average cost basis and includes expenditure incurred in acquiring raw material and bringing them to their present location and condition.

(ii) Work in progress and Finished goods

The cost of work in progress and finished goods includes the cost of raw material and attributable production labour and overheads.

Trade and other payables

Trade and other payables are stated at amortized cost. Liabilities are recognised for amounts to be paid in future for goods or services received whether or not billed to the Company.

National Cement Company Public Shareholding Company

Notes (continued)

3 Principal accounting policies (continued)

Provisions

A provision is recognised in the balance sheet, when the Company has an obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employees' end of service benefits

The provision for staff terminal benefits is based on the liability that would arise if the employment of all the staff were terminated at the balance sheet date. The provision for end of terminal benefits for staff is calculated in accordance with the provisions of the UAE Federal Labour Law.

Impairment

The carrying amounts of the Company assets are reviewed at each balance sheet date whenever there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds the recoverable amount. Impairment losses, if any, are recognised in the income statement.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in the income statement though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in the income statement.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into AED at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the foreign exchange rates ruling at the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and term deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

Borrowing costs

Interest is payable on overdrafts from banks at normal commercial rates or agreed rates. Borrowing costs are recognised as an expense in the period in which these are incurred. However, borrowing cost that is directly attributable to acquisition, construction or production of qualifying assets is capitalised as part of the cost of that asset. The capitalisation of borrowing cost commences from the date of incurring of expenditure relating to qualifying assets and ceases when the qualifying assets are ready for their intended use.

National Cement Company Public Shareholding Company

Notes (continued)

4 Revenue

	2005 AED'000	2004 AED'000
Domestic sale of cement	449,940	324,197
Foreign sale of cement	496	2,454
	<u>450,436</u>	<u>326,651</u>

5 Cost of sales

	2005 AED'000	2004 AED'000
These include the following:		
Material expenses	196,685	185,432
Factory utilities and repairs	25,182	23,186
Staff costs	17,644	14,676
Depreciation	11,324	12,183
Write off of plant and machinery (refer note 8(iii))	2,463	10,002
	<u>243,300</u>	<u>245,479</u>

6 Administrative and general expenses

	2005 AED'000	2004 AED'000
These include the following:		
Staff costs	13,824	10,877
Depreciation	3,833	3,776
Foreign exchange loss	642	143
	<u>18,300</u>	<u>14,796</u>

7 Other income

	2005 AED'000	2004 AED'000
Dividend income	14,791	10,313
Interest income	12,722	15,570
Rental income	3,946	3,940
Income from scrap sales	2,859	3,300
Foreign exchange gain	575	451
Profit on sale of property, plant and equipment	230	275
Other miscellaneous income	3,298	1,567
	<u>38,421</u>	<u>35,416</u>

National Cement Company Public Shareholding Company

Notes (continued)

8 Property, plant and equipment

	Building (restated) AED'000	Plant and machinery AED'000	Furniture fixture & equipment AED'000	Mobile equipment and vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost:						
At 1 January 2005	27,552	699,507	11,176	35,054	20,019	793,308
Additions	-	1,020	1,531	5,184	66,697	74,432
Write offs and disposals	-	(2,463)	(1,316)	(672)	-	(4,451)
At 31 December 2005	27,552	698,064	11,391	39,566	86,716	863,289
Depreciation:						
At 1 January 2005	18,392	627,994	7,787	34,595	-	688,768
Charge for the period	2,038	11,061	936	1,122	-	15,157
On disposals / write offs	-	-	(751)	(653)	-	(1,404)
At 31 December 2005	20,430	639,055	7,972	35,064	-	702,521
Net book value						
At 31 December 2005	<u>7,122</u>	<u>59,009</u>	<u>3,419</u>	<u>4,502</u>	<u>86,716</u>	<u>160,768</u>
Cost:						
At 1 January 2004	47,054	694,363	11,061	35,527	20,040	808,045
Reclassified to investment properties (refer notes 2 (b) (ii) and 9)	(19,501)	-	-	-	-	(19,501)
Transfer	-	14,929	-	-	(14,929)	-
Write offs	-	(10,002)	-	-	-	(10,002)
Additions	-	283	124	613	14,908	15,928
Disposals	(1)	(66)	(9)	(1,086)	-	(1,162)
At 31 December 2004	27,552	699,507	11,176	35,054	20,019	793,308
Depreciation:						
At 1 January 2004	32,805	615,921	6,853	34,638	-	690,217
Reclassified to investment properties (refer notes 2 (b) (ii) and 9)	(16,575)	-	-	-	-	(16,575)
Charge for the period	2,163	12,136	940	720	-	15,959
On disposals	(1)	(63)	(6)	(763)	-	(833)
At 31 December 2004	18,392	627,994	7,787	34,595	-	688,768
Net book value						
At 31 December 2004	<u>9,160</u>	<u>71,513</u>	<u>3,389</u>	<u>459</u>	<u>20,019</u>	<u>104,540</u>

National Cement Company Public Shareholding Company

Notes (continued)

8 Property, plant and equipment (continued)

- (i) Buildings with a net book value of AED 6.1 million (2004: AED 7.8 million) are situated on plots of land obtained under operating lease arrangements which are renewable annually. The Company's Directors are of the opinion that the leases are renewable and the land will be available to the Company on an ongoing basis in the foreseeable future.
- (ii) Capital work-in-progress represents costs incurred towards plant and machinery being constructed and installed at the Company's factory premises. Also refer note 26.
- (iii) During the last year, plant and machinery at a carrying value of AED 14.9 million and not in use by the Company was written down to AED 4.9 million being the estimated resale value of this plant. As a result of this write down a charge of AED 10 million was recorded in the income statement of that year. During the current year, the management has re-evaluated the net realisable value of this plant and a further write down of AED 2.4 million has been made. The management has further represented that if this plant is not sold in the next year, the remaining balance will be fully provided. Also refer note 5.

9 Investment properties

	Land AED'000	Buildings AED'000	Total AED'000 (restated)
Cost			
At 1 January 2005	8,480	-	8,480
Reclassified from property, plant and equipment at 1 January 2005	2,926	16,575	19,501
At 31 December 2005	11,406	16,575	27,981
Depreciation			
Reclassified from property, plant and equipment at 1 January 2005	-	16,575	16,575
At 31 December 2005	-	16,575	16,575
Net book value			
At 31 December 2005	11,406	-	11,406
At 31 December 2004	11,406	-	11,406

Also refer notes 2(b)(ii) and 8.

The fair market value of investment properties is in the range of AED 65 million to AED 70 million as per the internal valuation carried out by the management. The valuation was based on an assessment of the market prices for similar properties and on the basis of future rentals.

10 Investments in marketable securities

	2005 AED'000	2004 AED'000 (restated)
Non current investments:		
Held to maturity	192,187	229,656
Available for sale	1,835,615	694,114
	2,027,802	923,770
Current investments:		
Available for sale	36,820	30,230

National Cement Company Public Shareholding Company

Notes (continued)

10 Investments in marketable securities (continued)

The movement in available for sale securities are as follows:

	2005 AED'000	2004 AED'000 (restated)
Cost		
At the beginning of the year	175,703	168,657
Additions	110,088	28,185
Disposals	(23,316)	(21,139)
	<u>262,475</u>	<u>175,703</u>
At the end of the year	262,475	175,703
At market value	<u>1,872,435</u>	<u>724,344</u>

The movement in held to maturity securities are as follows:

	2005 AED'000	2004 AED'000 (restated)
Cost:		
At the beginning of the year	229,656	177,008
Additions	-	161,624
Disposals	(37,469)	(108,976)
	<u>192,187</u>	<u>229,656</u>
At the end of the year	192,187	229,656

- (i) The Company's long-term investments represent held to maturity and available for sale investments in bonds and other marketable equity securities respectively which are intended to be held for more than one year from the balance sheet date. The Company's current investments comprise investments in quoted and unquoted marketable equity securities which are held as available for sale investments. During the current year, the Company has recognised fair value gain of AED 1,077.92 million under equity on marketable equity securities. Also refer note 2(b)(i).
- (ii) During the year, the Company sold certain investments which were purchased during the current year and earned profit amounting to AED 7.9 million (2004: AED 2.4 million).
- (iii) Investments in marketable securities amounting to AED 743 million (2004: AED 182.2 million) are held in the personal name of one of the Company's Directors for the beneficial interest of the Company.
- (iv) Investments amounting to AED 210 million (2004: AED 81.56 million) are held under lien against various bank facilities.

National Cement Company Public Shareholding Company

Notes (continued)

10 Investments in marketable securities (continued)

(v) The movement in profit earned on disposal of marketable securities is as follows:

	2005 AED'000	2004 AED'000
Profit on disposal of marketable equity securities	49,035	21,435
Less: Profit earned on marketable equity securities purchased and sold during the current year	(7,924)	(2,397)
	<u>41,111</u>	<u>19,038</u>
Less: Transfer of fair value gain from equity to income statement on disposal of marketable equity securities	(16,598)	(3,417)
	<u>24,513</u>	<u>15,621</u>

11 Investment in an associate

Investment in an associate represents 20% share of Berber Cement Co Ltd ("BCC"), a limited liability company registered in the Republic of Sudan. The principal activity of the associate is to manufacture and sell cement. At the balance sheet date, BCC is in the formation stage and does not have commercial operations. Accordingly, the investment in BCC has not been equity accounted. The Company's management on the basis of the financial position of BCC has confirmed that non equity accounting of BCC does not materially impact the financial position of the Company.

12 Long term receivables

	2005 AED'000	2004 AED'000
Long term receivable (refer note (i) below)	<u>4,123</u>	<u>4,123</u>

(i) Long term receivable comprise advance provided to a Company's employee for various investments to be made on behalf of the Company.

National Cement Company Public Shareholding Company

Notes (continued)

13 Inventories

	2005 AED'000	2004 AED'000
Raw material	40,305	28,748
Work in progress	19,998	8,659
Finished goods	2,944	2,336
Spare parts	19,479	19,461
	<u>82,726</u>	<u>59,204</u>
Less: Provision for slow moving inventories	(7,122)	(7,122)
	<u>75,604</u>	<u>52,082</u>

14 Trade and other receivables

	2005 AED'000	2004 AED'000
Trade receivables	149,990	127,414
Other receivables and prepayments	21,833	9,917
	<u>171,823</u>	<u>137,331</u>

The five largest customers of the Company account for 58% of the value of outstanding trade receivables at 31 December 2005 (31 December 2004: 5 customers: 61%).

15 Cash at bank and in hand

	2005 AED'000	2004 AED'000
Cash at bank		
- Current accounts	87,443	1,589
- Call deposits (refer note below)	-	11,000
Cash in hand	553	641
	<u>87,996</u>	<u>13,230</u>

The call deposits represented amounts held in the personal name of the Company's General Manager in a bank for the beneficial interest of the Company.

The bank overdraft represents amounts held in the personal name of the Company's General Manager in a bank for the beneficial interest of the Company.

16 Trade and other payables

	2005 AED'000	2004 AED'000 (restated)
Trade payables	7,650	9,104
Other payables and accruals (also refer note 2 (a))	33,128	32,660
Unclaimed dividend	394	260
Director's fees	1,750	1,200
	<u>42,922</u>	<u>43,224</u>

National Cement Company Public Shareholding Company

Notes (continued)

17 Related party transactions

The Company, in the normal course of business, enters into transactions with other business enterprises that fall within the definition of a related party contained in International Accounting Standard No. 24. These transactions mainly comprise purchase and sale of goods which in the opinion of the Company's management are entered at terms agreed with the management of the related parties. Significant transactions with related parties other than those disclosed elsewhere in these financial statements are as follows:

	2005 AED'000	2004 AED'000
Purchases from related parties	123,178	30,450
Sales to related parties	<u>55,015</u>	<u>19,591</u>
Due from related parties		
Arabian Mix Co LLC, Dubai	36,700	29,880
Al Raudha Quarries	1,496	89
National Concrete Products, Dubai	464	2,619
Union Mosaic and Marble Co, Dubai	105	149
Gulf Import and Export Co, Dubai	67	61
Associated Constructions and Investments Company LLC	87	42
Others	106	11
	<u>39,025</u>	<u>32,851</u>
Due to related parties		
Al Raudha Quarries	2,047	-
Emirates Trading Agency LLC	20,224	-
Raqmiyat L.L.C	-	2
Oman Insurance PSC	-	3
Modern Building Maintenance Company	23	21
Others	6	-
	<u>22,300</u>	<u>26</u>
Compensation to key management personnel including Directors is as follows:		
Salaries and other short-term employee benefits	2,326	1,206
End of service benefits charged to the income statement	118	54
End of service benefits payable at the year-end	2,556	2,218
Directors fee (as an appropriation from retained earnings)	<u>1,600</u>	<u>1,200</u>

National Cement Company Public Shareholding Company

Notes (continued)

18 Provision for end of service benefits

	2005 AED'000	2004 AED'000
Opening balance	16,000	15,221
Provision for the year	2,353	1,197
Payments during the year	(330)	(418)
	<u>-----</u>	<u>-----</u>
Closing balance	<u>18,023</u>	<u>16,000</u>

19 Share capital

	2005 AED'000	2004 AED'000
<i>Authorised, issued and fully paid up:</i>		
92,000,000 shares of AED 1 each		
(31 December 2004: 920,000 shares of AED 100 each)	92,000	92,000
	<u>=====</u>	<u>=====</u>

During the current year, the shareholders approved to split the Company's share from AED 100 per share to AED 1 per share in the annual general meeting. The Company is currently in the process of completing the legal formalities in this regard.

Subsequent to the balance sheet date, the Directors have proposed to issue 92,000,000 bonus shares of par value of AED 1 each by capitalising retained earnings of the Company by an equivalent amount. This proposal will be submitted in the Company's Annual General Meeting for approval.

20 Development and investment reserve

The balance represents the amount set aside from retained earnings in previous years. The Directors have resolved to treat this reserve as distributable.

21 General reserve

As required by the Article 57.2 of the Article of Association of the Company, 10% of the net profit has to be transferred to regular reserve. It can be discontinued by the resolution of the ordinary general meeting on the proposal of the Board of Directors or if it reaches 10% of the paid up capital of the Company. Such reserve shall be used for the purpose designated by the ordinary general meeting on the proposal of the Board of Directors.

22 Statutory reserve

In accordance with Article 57.1 of the Memorandum of Association of the Company and the UAE Federal Law No.8 of 1984 (as amended), a minimum of 10% of the net profit of the Company is to be allocated every year to a non-distributable statutory reserve. Such allocation may be ceased when the statutory reserve equals 50% of the paid up share capital.

National Cement Company Public Shareholding Company

Notes (continued)

23 Proposed dividend

For 2005, a dividend of AED 46 million has been proposed and will be submitted for formal declaration at the Annual General Meeting. In 2004, a dividend of AED 32.2 million was proposed by the Board of Directors. This was declared by the Annual General Meeting and paid during 2005.

24 Earnings per share

	2005	2004
Net profit attributable to shareholders (AED'000)	254,488	113,116
Weighted average number of shares	<u>92,000,000</u>	<u>92,000,000</u>

For calculating the earnings per share for 2004, the weighted average number of shares has been adjusted as if the share split had occurred at the beginning of 2004.

The calculation of earnings per share is based on earnings for the year attributable to shareholders and the number of shares outstanding at 31 December 2005 (92,000,000 shares).

25 Contingent liabilities

	2005 AED'000	2004 AED'000
Letters of credit	41,921	53,533
Letters of guarantee	<u>709</u>	<u>609</u>

26 Capital commitments

The Directors have approved future capital expenditure amounting to AED 29 million (2004: AED 55 million).

The Company has a capital commitment of AED 36.33 million (2004: AED 36.74 million) as 20 % in share capital of Berber Cement Company Ltd, the Republic of Sudan. The Company will pay the amount as and when the calls are made.

27 Operating leases

Leases as lessee

The Company has leased plots of land under operating leases on which residential flats for staff accommodation are located. These leases typically run for a period of one year, with an option to renew the lease after that date. The lease rentals are usually renewed to reflect market rentals.

Leases as lessor

The Company has leased residential villas on operating leases to earn rental income. These leases typically run for a period of one year, with an option to renew the lease after that date. The lease rentals are usually renewed to reflect market rentals.

National Cement Company Public Shareholding Company

Notes (continued)

28 Explanation of transition to IFRSs

As stated in note 2, these are the Company's first financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004.

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (generally accepted accounting standards ("GAAP")). An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position is set out in the following tables and the notes that accompany the tables:

		Effect of			Effect of		
		Previous GAAP	Transition to IFRSs	IFRSs	Previous GAAP	Transition to IFRSs	IFRSs
Description	Note	1 January 2004 (In AED thousand)			31 December 2004 (In AED thousand)		
Investment in marketable equity securities (classified as available for sale)	2(b) (i)	168,657	308,022	476,679	175,703	548,641	724,344
Investment property	2 (b) (i)	-	2,925	2,925	-	2,925	2,925
Property, plant and equipment	2 (b) (ii)	117,828	(2,925)	114,903	107,466	(2,925)	104,541

Refer to statement of changes in equity for the impact of transition of IFRS on the Company's equity.

29 Financial instruments

Financial assets of the Company include investment in marketable securities, cash at bank and in hand, trade and other receivables and amounts due from related parties. Financial liabilities of the Company include trade and other payables and amounts due to related parties. Accounting policies for financial assets and financial liabilities are set out in note 3.

National Cement Company Public Shareholding Company

Notes *(continued)*

29 Financial instruments (continued)

Credit risk

Financial assets, which potentially subject the Company to concentration of credit risk, consist mainly of cash at bank, trade receivables and receivables from related parties. The Company's cash equivalents are placed with a local bank of repute. The credit risk with respect to certain trade receivables is covered as the Company seeks bank guarantee or equivalent instruments for the products supplied. Refer to note 14 for the concentration of credit risk with respect to outstanding trade receivables. Amounts due from related parties are considered fully recoverable by management. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

Currency risk

The Company enters into forward exchange contracts for supplier obligations and hence is exposed to fluctuations in foreign currency exchange rates in respect of certain foreign payables. There are no significant foreign exchange forward contracts outstanding at the year-end. However in respect of payables in United States Dollar ("USD"), there is no exchange risk involved presently as AED is pegged to USD.

Interest rate risk

The Company's investments in bonds normally carry interests which are linked to LIBOR.

Fair value

The fair value of the Company's financial instruments approximates their carrying amounts.

30 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year. Also refer notes 2 and 3.