

National Cement Company
Public Shareholding Company

Interim condensed financial statements
(Unaudited)
31 March 2007

National Cement Company Public Shareholding Company

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31 March 2007

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Review Report of the Auditors' to the Shareholders of
National Cement Company Public Shareholding Company

We have reviewed the accompanying condensed balance sheet of National Cement Company Public Shareholding Company ("the Company") as of 31 March 2007 and the related condensed statements of income, cash flows and changes in equity for the three months period then ended (the interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

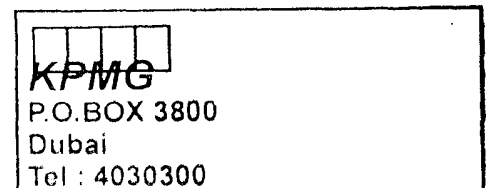
We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard No. 34: Interim Financial Reporting.

KPMG
Munther Dajani
Registration No: 268

14 MAY 2007



National Cement Company Public Shareholding Company

Interim condensed income statement (Unaudited) for the three months period ended 31 March 2007

		Three months period ended 31 March 2007 AED'000	Three months period ended 31 March 2006 AED'000
Turnover	5	128,355	115,806
Cost of sales	6	(73,172)	(65,896)
Gross profit		<u>55,183</u>	<u>49,910</u>
Administrative and general expenses		(10,551)	(7,015)
Finance charges		(90)	(127)
Other income		6,223	4,807
Dividend income		7,235	8,145
Impairment loss on marketable securities	9	(14,344)	-
Profit on sale of marketable securities		5,019	-
Gain on unwinding of interest rate swap contracts	21	3,110	-
Net interest income on interest rate swap contracts		4,724	-
Net revaluation loss on interest rate swap contracts (unrealized)	21	(11,700)	-
Net profit for the period		<u><u>44,809</u></u>	<u><u>55,720</u></u>
Basic earnings per share (AED)	18	<u>0.16</u>	<u>0.20</u>

The notes set out on pages 6 to 12 form part of these interim condensed financial statements.

The review report of the Auditors is set out on page 1.

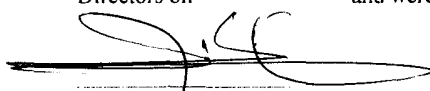
National Cement Company Public Shareholding Company

Interim condensed balance sheet as at 31 March 2007

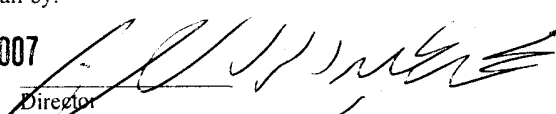
		Unaudited 31 March 2007 AED'000	Audited 31 December 2006 AED'000	Unaudited 31 March 2006 AED'000
	Note			
Property, plant and equipment	7	206,142	208,667	167,246
Investment properties	8	2,924	2,924	20,629
Long term portion of investment in marketable securities	9	1,470,667	1,528,760	1,875,669
Investment in an associate	10	51,582	51,441	36,750
Long term receivables	11	1,000	4,123	4,123
		<u>1,732,315</u>	<u>1,795,915</u>	<u>2,104,417</u>
Current assets				
Current portion of investment in marketable securities	9	31,948	41,147	23,574
Inventories		57,806	74,438	93,821
Trade and other receivables		148,392	121,630	178,753
Due from related parties	12	63,585	44,411	42,415
Cash at bank and in hand		22,432	77,917	17,509
		<u>324,163</u>	<u>359,543</u>	<u>356,072</u>
Current liabilities				
Trade and other payables		76,150	69,913	53,904
Due to related parties	12	1,122	3,018	735
Bank overdraft		18,914	26	392
		<u>96,186</u>	<u>72,957</u>	<u>55,031</u>
Net current assets		<u>227,977</u>	<u>286,586</u>	<u>301,041</u>
Provision for end of service benefits		(19,439)	(17,715)	(18,023)
		<u>1,940,853</u>	<u>2,064,786</u>	<u>2,387,435</u>
Represented by:				
Share capital	13	276,000	184,000	92,000
Share application money payable		26	26	26
Development and investment reserve	14	300,000	300,000	300,000
Cumulative changes in fair value of investments available for sale		896,604	973,346	1,409,355
General reserve	15	69,000	69,000	69,000
Statutory reserve	16	67,613	67,613	46,000
Retained earnings		331,610	378,801	425,054
Proposed dividend	17	-	92,000	46,000
		<u>1,940,853</u>	<u>2,064,786</u>	<u>2,387,435</u>

The notes set out on pages 6 to 12 form part of these interim condensed financial statements.

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


Vice Chairman

14 MAY 2007


Director

The review report of the Auditors is set out on page 1.

National Cement Company Public Shareholding Company

Interim condensed statement of cash flows (Unaudited)

for the three months period ended 31 March 2007

	Three months period ended 31 March 2007 AED'000	Three months period ended 31 March 2006 AED'000
Operating activities		
Net profit for the period	44,809	55,720
<i>Adjustments for:</i>		
Depreciation	4,607	3,248
Profit on disposal of property, plant and equipment	(375)	(50)
Profit on disposal of marketable securities	(5,019)	-
Provision for end of service benefits	2,302	285
Impairment loss on marketable securities	14,344	-
Revaluation loss on interest rate swap contracts	13,316	-
Revaluation gain on interest rate swaps contracts	(1,616)	-
<i>Operating profit before working capital changes</i>	<u>72,368</u>	<u>59,203</u>
Change in inventories	16,632	(18,217)
Change in trade and other receivables	(26,762)	(6,929)
Change in due from related parties	(19,174)	(3,390)
Change in trade and other payables	(15,842)	10,982
Change in due to related parties	(1,896)	(21,565)
Payment of end of service benefits	(578)	(285)
Change in long term receivables	3,123	-
<i>Cash flows from operating activities</i>	<u>27,871</u>	<u>19,799</u>
Investing activities		
Acquisition of property, plant and equipment	(3,958)	(9,789)
Acquisition of investment property	-	(9,223)
Investment in an associate	(141)	(36,011)
Proceeds from disposal of property, plant and equipment	2,251	111
Additions to investment in securities	(22,042)	(35,225)
Proceeds from disposal of investment in securities	14,292	-
<i>Cash flows from investing activities</i>	<u>(9,598)</u>	<u>(90,137)</u>
Financing activities		
Dividend paid	(81,621)	-
Net movement in fixed deposit	(24)	-
<i>Cash flows from financing activities</i>	<u>(81,645)</u>	<u>-</u>
Net decrease in cash and cash equivalents	<u>(63,372)</u>	<u>(70,338)</u>
Cash and cash equivalents at the beginning of the period	62,798	87,455
Cash and cash equivalents at the end of the period	<u>(574)</u>	<u>17,117</u>
These comprise the following:		
Cash at bank and in hand	18,340	17,509
Bank overdraft	(18,914)	(392)
	<u>(574)</u>	<u>17,117</u>

The notes set out on pages 6 to 12 form part of these interim condensed financial statements.

The review report of the Auditors is set out on page 1.

National Cement Company Public Shareholding Company

Interim condensed statement of changes in equity (Unaudited) for the three months period ended 31 March 2007

	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 2006	92,000	26	300,000	1,609,960	69,000	46,000	369,334	46,000	2,532,320
Net movement in changes in fair value	-	-	-	(200,605)	-	-	-	-	(200,605)
Net profit for the period	-	-	-	-	-	-	55,720	-	55,720
At 31 March 2006	<u>92,000</u>	<u>26</u>	<u>300,000</u>	<u>1,409,355</u>	<u>69,000</u>	<u>46,000</u>	<u>425,054</u>	<u>46,000</u>	<u>2,387,435</u>
At 1 January 2007	184,000	26	300,000	973,346	69,000	67,613	378,801	92,000	2,064,786
Dividend paid	-	-	-	-	-	-	-	(92,000)	(92,000)
Issue of bonus shares by capitalizing retained earnings (refer note 13)	92,000	-	-	-	-	-	(92,000)	-	-
Net movement in changes in fair value	-	-	-	(86,480)	-	-	-	-	(86,480)
Transfer of unrealised gain on sale of investments to income statement	-	-	-	(4,606)	-	-	-	-	(4,606)
Impairment loss recognized in income statement	-	-	-	14,344	-	-	-	-	14,344
Net profit for the period	-	-	-	-	-	-	44,809	-	44,809
At 31 March 2007	<u>276,000</u>	<u>26</u>	<u>300,000</u>	<u>896,604</u>	<u>69,000</u>	<u>67,613</u>	<u>331,610</u>	<u>-</u>	<u>1,940,853</u>

The notes on pages 6 to 12 form part of these interim condensed financial statements.

The review report of the Auditors is set out on page 1.

National Cement Company Public Shareholding Company

Notes

(forming part of the interim condensed financial statements)(Unaudited)

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. The Company is listed on the Dubai Financial Market.

2 Basis of preparation and significant accounting policies

These interim condensed financial statements have been prepared in accordance with IFRS for interim financial statements (IAS 34 *Interim Financial Reporting*). These interim condensed financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2006.

The accounting policies applied in the preparation of these interim condensed financial information are consistent with those applied in the annual financial statements of the Company for the year ended 31 December 2006.

These interim 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 investment securities and derivative financial instruments.

3 Accounting estimates and judgements

The preparation of interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim condensed financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2006.

4 New standard and interpretation not yet effective

IAS 1 and IFRS 7 (superseding certain aspects of IAS 30 and 32) which becomes mandatory for the Company's 2007 financial statements, are not expected to have any impact on the financial statements of the Company expect for the disclosures as required under the respective IAS and IFRS.

5 Turnover

	Unaudited Three months period ended 31 March 2007 AED'000	Unaudited Three months period ended 31 March 2006 AED'000
Domestic sale of cement	<u>128,355</u>	<u>115,806</u>

National Cement Company Public Shareholding Company

Notes (continued)

6 Cost of sales

	Unaudited Three months period ended 31 March 2007 AED '000	Unaudited Three months period ended 31 March 2006 AED'000
Material expenses	57,170	54,798
Factory utilities and repairs	8,806	5,392
Staff costs	4,069	3,597
Depreciation	3,127	2,109
	<u>73,172</u>	<u>65,896</u>

7 Property, plant and equipment

During the three months period ended 31 March 2007, additions to the property, plant and equipment amounted to AED 3.9 million and assets with a cost of AED 2.9 million were sold during the period. Depreciation charge for the period amounts to AED 4.6 million.

8 Investment properties

During last year, the Company had acquired a plot of land with a cost of AED 9.2 million which was sold by the Company during the later period of 2006 for a consideration of AED 9.8 million resulting in a gain of AED 0.4 million net of commission of AED 0.2 million. This land was registered in the personal name of a Director for the beneficial interest of the Company. Furthermore, a plot of land which was purchased in earlier years with a carrying value of AED 8.48 million was sold by the Company during the previous year for a consideration of AED 31.2 million resulting in a net gain of AED 22.4 million.

No assets were sold during the current period and no depreciation was charged as the depreciable assets are fully depreciated.

The fair market value of investment properties is in the range of AED 55 million to AED 60 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.

9 Investments in marketable securities

	Unaudited 31 March 2007 AED '000	Audited 31 December 2006 AED'000	Unaudited 31 March 2006 AED'000
Non current investments:			
Held to maturity	-	-	221,575
Available for sale	1,470,667	1,528,760	1,654,094
	<u>1,470,667</u>	<u>1,528,760</u>	<u>1,875,669</u>
Current investments:			
Available for sale	31,948	41,147	23,574

National Cement Company Public Shareholding Company

Notes (continued)

12 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. Significant transactions with related parties other than those disclosed elsewhere in these interim condensed financial statements are as follows:

	Unaudited Three months period ended 31 March 2007 AED'000	Unaudited Three months period ended 31 March 2006 AED'000
Purchases from related parties	6,458	14,894
Sales to related parties	25,052	15,004
	<u> </u>	<u> </u>

Compensation to key management personnel including Directors is as follows:

	Unaudited 31 March 2007 AED'000	Unaudited 31 March 2006 AED'000
Salaries and other short-term employee benefits	254	572
End of service benefits charged to the income statement	12	30
End of service benefits payable at the period-end	2,384	2,582
	<u> </u>	<u> </u>

Due from related parties include AED 4.1 million due from one of the Company's Directors relating to consideration received by him on sale of marketable securities on behalf of the Company. This amount has been subsequently received by the Company.

13 Share capital

	Unaudited 31 March 2007 AED '000	Audited 31 December 2006 AED'000	Unaudited 31 March 2006 AED'000
<i>Authorised, issued and fully paid up:</i>			
276,000,000 shares of AED 1 each			
(31 December 2006: 184,000,000 shares of AED 1 each)			
	276,000	184,000	92,000
	<u> </u>	<u> </u>	<u> </u>

During the previous year, the Directors' proposal to issue 92,000,000 bonus shares of par value of AED 1 each by capitalizing retained earnings of the Company was approved in the Company's annual general meeting held in April 2006. During the current period, the Directors' proposal to issue 92,000,000 bonus shares of par value of AED 1 each by capitalizing retained earnings of the Company was approved in the Company's annual general meeting held in March 2007. The Company's management is in the process of completing the necessary legal formalities in this respect.

National Cement Company Public Shareholding Company

Notes (continued)

14 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.

15 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 a general reserve. This 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.

16 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.

No allocation has been made to the statutory reserve for the three months period ended 31 March 2007 as it would be effected at the year-end.

17 Proposed dividend

For 2006, a cash dividend of AED 92 million along with 92,000,000 bonus shares at a par value of AED 1 each by capitalising retained earnings was approved at the Company's Annual General Meeting held in March 2007.

18 Earnings per share

	Unaudited 31 March 2007	Unaudited 31 March 2006
Net profit attributable to shareholders (AED'000)	44,809	55,720
Weighted average number of shares	276,000,000	276,000,000

The calculation of earnings per share is based on earnings for the period attributable to shareholders and the number of shares outstanding at 31 March 2007 (276,000,000 shares) after taking into account the bonus issue during the current period.

National Cement Company Public Shareholding Company

Notes *(continued)*

19 Capital commitments

There were no significant capital commitments at the balance sheet date *(31 December 2006: Nil)*.

20 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.

21 Financial instruments

Financial assets of the Company include investment in marketable securities, cash at bank and in hand, trade receivables and amounts due from related parties. Financial liabilities of the Company include trade payables, bank overdraft and amounts due to related parties.

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 and international 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. 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 period-end. However in respect of payables in United States Dollar ("USD"), there is no exchange risk involved presently as AED is pegged to USD.

National Cement Company Public Shareholding Company

Notes *(continued)*

21 Financial instruments (continued)

Interest rate risk

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

The Company has also entered into certain interest rate swaps contracts. These swap contracts are not designated as hedges and accordingly are treated as free standing derivative contracts.

At 31 March 2007, the Company had outstanding interest rate swap contracts (IRS) with a notional amount of USD 230 million (AED 846 million) *((31 December 2006: USD 150 million (AED 551 million))*). The fair values of IRS at the balance sheet date were as under:

	Unaudited 31 March 2007 AED '000	Audited 31 December 2006 AED'000	Unaudited 31 March 2006 AED'000
Interest rate swaps – contracts with positive value (unrealized)	-	37	-
Interest rate swaps – contracts with negative value (unrealized)	<u>14,436</u>	<u>3,786</u>	<u>-</u>

In addition, interest rate swap contracts with a notional value of USD 100 million (AED 367 million) were un-winded on which the Company earned a gain of AED 3.1 million.

The fair value (unrealized) of the IRS outstanding as at 31 March 2007 has been recognised in these interim condensed financial statements.

Fair value

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