

National Cement Company
Public Shareholding Company

Interim condensed financial statements
(Unaudited)
30 June 2007

National Cement Company Public Shareholding Company

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<i>Contents</i>	<i>Page</i>
Review report of the Auditors	1
Interim condensed income statement	2
Interim condensed balance sheet	3
Interim condensed statement of cash flows	4
Interim condensed statement of changes in equity	5
Notes	6 - 12



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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 30 June 2007 and the related condensed statements of income, cash flows and changes in equity for the six month 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 IAS 34, 'Interim Financial Reporting'.


KPMG

Vijendra Nath Malhotra
Registration No: 48B

06 AUG 2007



National Cement Company Public Shareholding Company

Interim condensed income statement (Unaudited)

for the six month period ended 30 June 2007

		Three months period ended 30 June 2007 AED '000	Three months period ended 30 June 2006 AED '000	Six months period ended 30 June 2007 AED '000	Six months period ended 30 June 2006 AED '000
	Note				
Turnover	5	141,785	125,676	270,140	241,482
Cost of sales	6	(85,252)	(83,175)	(158,424)	(149,071)
Gross profit		56,533	42,501	111,716	92,411
Administrative and general expenses		(7,234)	(7,662)	(17,785)	(14,677)
Finance charges		(111)	(60)	(201)	(187)
Other income		8,909	5,733	15,131	12,460
Dividend income		2,458	3,521	9,693	9,746
Gain on unwinding of interest rate swap contracts	21	2,031	-	6,758	-
Net interest income on interest rate swap contracts		4,361	-	9,085	-
Net revaluation loss on interest rate swap contracts (unrealised)	21	(10,359)	-	(23,676)	-
Net revaluation gain on commodity derivatives (unrealised)	21	137	-	137	-
Profit on sale of investment properties	8	-	22,407	-	22,407
Profit on sale of marketable securities		2,934	5,720	7,953	5,720
Impairment loss on marketable securities	9	-	-	(14,344)	-
Share in loss of an associate	10	(2,667)	-	(2,667)	-
Net profit for the period		56,992	72,160	101,800	127,880
Basic earnings per share (AED)	18	0.21	0.26	0.37	0.46

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 30 June 2007

		Unaudited 30 June 2007 AED'000	Audited 31 December 2006 AED'000	Unaudited 30 June 2006 AED'000
	Note			
Property, plant and equipment	7	202,051	208,667	190,595
Investment properties	8	2,924	2,924	12,148
Long term portion of investment in marketable securities	9	1,565,790	1,528,760	1,636,767
Investment in an associate	10	48,995	51,441	36,750
Long term receivable	11	1,000	4,123	4,123
		<u>1,820,760</u>	<u>1,795,915</u>	<u>1,880,383</u>
Current assets				
Current portion of investment in marketable securities	9	17,652	41,147	31,869
Inventories		67,760	74,438	67,769
Trade and other receivables		184,536	121,630	161,660
Due from related parties	12	54,011	44,411	39,501
Cash at bank and in hand		53,200	77,917	72,782
		<u>377,159</u>	<u>359,543</u>	<u>373,581</u>
Current liabilities				
Trade and other payables		102,079	69,913	39,870
Due to related parties	12	1,558	3,018	12,182
Bank overdraft		44	26	-
		<u>103,681</u>	<u>72,957</u>	<u>52,052</u>
Net current assets		<u>273,478</u>	<u>286,586</u>	<u>321,529</u>
Provision for end of service benefits		<u>(19,829)</u>	<u>(17,715)</u>	<u>(17,520)</u>
		<u>2,074,409</u>	<u>2,064,786</u>	<u>2,184,392</u>
Represented by:				
Share capital	13	276,000	184,000	184,000
Share application money payable		26	26	26
Development and investment reserve	14	300,000	300,000	300,000
Cumulative changes in fair value of available for sale investments		973,169	973,346	1,180,152
General reserve	15	69,000	69,000	69,000
Statutory reserve	16	67,613	67,613	46,000
Retained earnings		388,601	378,801	405,214
Proposed dividend	17	-	92,000	-
		<u>2,074,409</u>	<u>2,064,786</u>	<u>2,184,392</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 06 AUG 2007 and were signed on their behalf by:

06 AUG 2007
Chairman

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 six month period ended 30 June 2007

	Six months period ended 30 June 2007 AED'000	Six months period ended 30 June 2006 AED'000
Operating activities		
Net profit for the period	101,800	127,880
<i>Adjustments for:</i>		
Depreciation	9,465	6,446
Profit on disposal of property, plant and equipment	(379)	(93)
Profit on disposal of marketable securities	(7,953)	(5,720)
Profit on sale of investment property	-	(22,407)
Provision for end of service benefits	2,915	716
Impairment loss on marketable securities	14,344	-
Revaluation gain on commodity derivatives	(137)	-
Share in loss of an associate	2,667	-
Revaluation loss on interest rate swap contracts	23,676	-
<i>Operating profit before working capital changes</i>	<i>146,398</i>	<i>106,822</i>
Change in inventories	6,678	7,835
Change in trade and other receivables	(38,783)	10,163
Change in due from related parties	(9,600)	(476)
Change in trade and other payables	(17,627)	(3,252)
Change in due to related parties	(1,460)	(10,118)
Decrease in long term receivable	3,123	-
Payment of end of service benefits	(801)	(1,219)
<i>Cash flows from operating activities</i>	<i>87,928</i>	<i>109,755</i>
Investing activities		
Acquisition of property, plant and equipment	(5,869)	(36,335)
Acquisition of investment property	-	(9,223)
Investment in securities	(56,944)	(43,374)
Investment in an associate	(221)	(36,011)
Proceeds from disposal of property, plant and equipment	3,399	155
Proceeds from disposal of investment in securities	36,842	15,272
Proceeds from disposal of investment property	-	30,888
<i>Cash flows from investing activities</i>	<i>(22,793)</i>	<i>(78,628)</i>
Financing activities		
Dividend paid	(89,870)	(45,800)
<i>Cash flows from financing activities</i>	<i>(89,870)</i>	<i>(45,800)</i>
Net decrease in cash and cash equivalents	(24,735)	(14,673)
Cash and cash equivalents at the beginning of the period	77,891	87,455
Cash and cash equivalents at the end of the period	53,156	72,782
These comprise the following:		
Cash at bank and in hand	53,200	72,782
Bank overdraft	(44)	-
	53,156	72,782

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 six month period ended 30 June 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
Dividend paid	-	-	-	-	-	-	-	(45,800)	(45,800)
Issue of bonus shares by capitalising retained earnings (refer note 13)	92,000	-	-	-	-	-	(92,000)	-	-
Net movements in changes in fair value	-	-	-	(423,120)	-	-	-	-	(423,120)
Dividend payable transferred to current liabilities	-	-	-	-	-	-	-	(200)	(200)
Transfer of unrealised gain on sale of investments	-	-	-	(6,688)	-	-	-	-	(6,688)
Net profit for the period	-	-	-	-	-	-	127,880	-	127,880
At 30 June 2006	<u>184,000</u>	<u>26</u>	<u>300,000</u>	<u>1,180,152</u>	<u>69,000</u>	<u>46,000</u>	<u>405,214</u>	<u>-</u>	<u>2,184,392</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	-	-	-	-	-	-	-	(89,870)	(89,870)
Dividend payable transferred to current liabilities	-	-	-	-	-	-	-	(2,130)	(2,130)
Issue of bonus shares from retained earnings (refer note 13)	92,000	-	-	-	-	-	(92,000)	-	-
Net movement in changes in fair value	-	-	-	(8,972)	-	-	-	-	(8,972)
Transfer of unrealized gain on sale of investments	-	-	-	(5,549)	-	-	-	-	(5,549)
Impairment loss recognized in income statement	-	-	-	14,344	-	-	-	-	14,344
Net profit for the period	-	-	-	-	-	-	101,800	-	101,800
At 30 June 2007	<u>276,000</u>	<u>26</u>	<u>300,000</u>	<u>973,169</u>	<u>69,000</u>	<u>67,613</u>	<u>388,601</u>	<u>-</u>	<u>2,074,409</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 the 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 has substantial investments 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 International Financial Reporting Standards (IFRS) for interim financial statements (IAS 34 *Interim Financial Reporting*). These interim 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 statements are consistent with those applied in the annual financial statements of the Company for the year ended 31 December 2006.

These interim condensed 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 except for the disclosures as required under the respective IAS and IFRS.

National Cement Company Public Shareholding Company

Notes (continued)

5 Turnover

	Unaudited Three months period ended 30 June 2007 AED'000	Unaudited Three months period ended 30 June 2006 AED'000	Unaudited Six months period ended 30 June 2007 AED '000	Unaudited Six months period ended 30 June 2006 AED '000
Domestic sale of cement	<u>141,785</u>	<u>125,676</u>	<u>270,140</u>	<u>241,482</u>

6 Cost of sales

	Unaudited Three months period ended 30 June 2007 AED'000	Unaudited Three months period ended 30 June 2006 AED'000	Unaudited Six months period ended 30 June 2007 AED '000	Unaudited Six months period ended 30 June 2006 AED '000
<i>This includes:</i>				
Material expenses	69,661	74,000	126,831	128,798
Staff costs	4,122	2,935	8,190	6,532
Depreciation	<u>3,245</u>	<u>2,053</u>	<u>6,372</u>	<u>4,162</u>

7 Property, plant and equipment

During the six months period ended 30 June 2007, additions to property, plant and equipment amounted to AED 5.87 million and assets with a cost of AED 4.10 million were sold during the period. Depreciation charge for the period amounts to AED 9.47 million.

8 Investment properties

During the previous 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. 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 investment properties 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.

National Cement Company Public Shareholding Company

Notes (continued)

9 Investments in marketable securities

	Unaudited 30 June 2007 AED '000	Audited 31 December 2006 AED'000	Unaudited 30 June 2006 AED'000
Non current investments:			
Held to maturity	-	-	80,808
Available for sale	1,565,790	1,528,760	1,555,959
	<u>1,565,790</u>	<u>1,528,760</u>	<u>1,636,767</u>
Current investments:			
Available for sale	17,652	41,147	31,869
	<u>17,652</u>	<u>41,147</u>	<u>31,869</u>

- i. During the previous year, the Company had redeemed significant portion of the securities classified as held to maturity as at 31 December 2005, which was not close to maturity. As a result, in accordance with International Accounting Standard No 39, the held to maturity portfolio became tainted and therefore the Company is prohibited from classifying any financial assets as held to maturity for year ended 31 December 2006 and the following two financial years. Accordingly, the Company's investments in securities which were earlier classified as held-to-maturity investments were reclassified as available for sale investments as at 31 December 2006. These investments are now being fair valued with the resultant unrealised gains and losses reported in equity under the caption "cumulative changes in fair value of investments available for sale", except for impairment losses that are recognised in the income statement.
- ii. At 30 June 2007, investments include AED 14.7 million (31 December 2006: AED 46 million) which are stated at cost. In the opinion of management, the fair value of these investments is not materially different from their carrying amounts.
- iii. During the current period, the Company has recognised fair value loss of AED 8.9 million under equity on marketable securities as at 30 June 2007. In addition, on the basis of review undertaken by the Directors of the fair value of the Company's marketable securities as at 30 June 2007, the Directors have resolved to recognize AED 14.34 million as impairment loss in the interim condensed income statement towards investments in these securities.
- iv. At 30 June 2007, investments in marketable securities amounting to AED 278 million (31 December 2006: AED 287 million) are held in the personal name of one of the Company's Directors for the beneficial interest of the Company.
- v. Investments in marketable securities include bonus shares issued by investee companies having a fair value of AED 9.34 million as at 30 June 2007. The Company have accounted these bonus shares based on the financial information available for the investee companies. The Company is awaiting receipt of formal bonus shares certificate from these investee companies as at 30 June 2007.
- vi. Investments amounting to AED 89.81 million (31 December 2006: AED 78 million) are held under lien against various bank facilities.

National Cement Company Public Shareholding Company

Notes (continued)

10 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. As at 30 June 2007, the Company's share in net assets of BCC has been equity accounted. This has resulted in the Company's share of net loss amounting to AED 2.66 million incurred by BCC mainly due to pre-opening expenditure (net of other income) of BCC recognised in its income statement.

11 Long term receivable

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

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 30 June 2007 AED'000	Unaudited Three months period ended 30 June 2006 AED'000	Unaudited Six months period ended 30 June 2007 AED '000	Unaudited Six months period ended 30 June 2006 AED '000
Purchases from related parties	16,847	40,539	23,305	55,433
Sales to related parties	19,299	15,174	44,351	30,178

Compensation to key management personnel including Directors is as follows:

Salaries and other short-term employee benefits	832	1,029	1,592	1,601
End of service benefits charged to the income statement	13	23	25	53
End of service benefits payable at the period-end	2,515	2,254	2,515	2,254

National Cement Company Public Shareholding Company

Notes (continued)

13 Share capital

	Unaudited 30 June 2007 AED '000	Audited 31 December 2006 AED'000	Unaudited 30 June 2006 AED '000
<i>Authorised, issued and fully paid up:</i>			
276,000,000 shares of AED 1 each			
(30 June 2006 and 31 December 2006:			
184,000,000 shares of AED 1 each)	<u>276,000</u>	<u>184,000</u>	<u>184,000</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.

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 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.

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 as a result of bonus issue for the six month period ended 30 June 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.

National Cement Company Public Shareholding Company

Notes (continued)

18 Earnings per share

	Unaudited Three months period ended 30 June 2007	Unaudited Three months period ended 30 June 2006	Unaudited Six months period ended 30 June 2007	Unaudited Six months period ended 30 June 2006
Net profit attributable to shareholders (AED'000)	56,992	72,160	101,800	127,880
Weighted average number of shares	<u>276,000,000</u>	<u>276,000,000</u>	<u>276,000,000</u>	<u>276,000,000</u>

The calculation of earnings per share is based on earnings for the period attributable to shareholders and the number of shares outstanding at 30 June 2007 after taking into account the bonus issue during the current period.

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 and other receivables and amounts due from related parties. Financial liabilities of the Company include trade and other 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 local and international banks 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.

National Cement Company Public Shareholding Company

Notes (continued)

21 Financial instruments (continued)

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.

Interest rate risk and derivative contracts

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 and commodity derivative contracts. These contracts are not designated as hedges and accordingly are treated as free standing derivative contracts.

At 30 June 2007, the Company had outstanding interest rate swap contracts (IRS) with a notional amount of USD 330 million (AED 1,213 million) ((31 December 2006: USD 150 million (AED 551 million)) and outstanding commodity derivatives with a notional amount of USD 166 million (AED 610 million) (31 December 2006: AED Nil). The fair values of IRS and commodity derivatives at the balance sheet date were as under:

	Unaudited 30 June 2007 AED '000	Audited 31 December 2006 AED '000	Unaudited 30 June 2006 AED '000
Interest rate swaps – contracts with positive value (unrealised)	19,396	37	-
Interest rate swaps – contracts with negative value (unrealised)	43,071	3,876	-
Commodity derivatives – contracts with positive value (unrealised)	4,729	-	-
Commodity derivatives – contracts with negative value (unrealised)	4,592	-	-

In addition, during the current period IRS with notional values of USD 150 million (AED 551 million) were un-winded on which the Company earned a gain of AED 6.76 million.

The fair value (unrealized) of the IRS and commodity derivatives outstanding as at 30 June 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.