



National Cement Company
Public Shareholding Company

Financial statements
31 December 2007

National Cement Company Public Shareholding Company

Financial statements

31 December 2007

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The financial statements of National Cement Company Public Shareholding Company for the year ended 31 December 2007, together with the independent auditors' report, are set out on pages 1 to 32. The financial statements are prepared in accordance with the accounting standards applicable in the United Kingdom.

Corporate Governance

The Company has adopted the provisions of the Companies Act 2006 in relation to its corporate governance arrangements for the year ended 31 December 2007.

Corporate Governance Code

In accordance with the provisions of the Companies Act 2006, the Company has adopted the provisions of the Corporate Governance Code for the year ended 31 December 2007. The provisions of the Code are set out on pages 33 to 35.

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KPMG Head Company Public Shareholding Company
P.O. Box 3800
Level 32, Emirates Towers
Sheikh Zayed Road
Dubai
United Arab Emirates
Telephone +971 (4) 403 0300
Fax +971 (4) 330 1515
Website www.ae-kpmg.com

Independent auditors' report

The Shareholders
National Cement Company Public Shareholding Company

Report on the financial statements

We have audited the accompanying financial statements of National Cement Company Public Shareholding Company ("the Company"), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Report on other legal and regulatory requirements

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, that a physical count of inventories was carried out by Management in accordance with established principles, and the contents of the Directors' report which relate to these financial statements are 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 2007, which may have had a material adverse effect on the business of the Company or its financial position.

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 27 MAR 2008

National Cement Company Public Shareholding Company

Income statement

for the year ended 31 December 2007

	Note	2007 AED'000	2006 AED'000
Revenue	5	532,737	456,345
Cost of sales	6	(314,703)	(274,601)
Gross profit		218,034	181,744
Administrative and general expenses	7	(34,970)	(26,754)
Other income	8	24,560	12,587
Profit on sale of investment properties	11	-	22,832
Share in profit of an associate	13	1,366	-
Profit before financial income and expense		208,990	190,409
Financial income and expense (net)	9	(7,070)	25,721
Net profit for the year		201,920	216,130
Basic and diluted earnings per share (AED)	27	0.73	0.78

The notes set out on pages 7 to 32 form part of these financial statements.

The independent auditor's report is set out on page 2.

Revenue	5	532,737	456,345
Cost of sales	6	(314,703)	(274,601)
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National Cement Company Public Shareholding Company

Balance sheet at 31 December 2007

	Note	2007 AED'000	2006 AED'000
Property, plant and equipment	10	203,404	208,667
Investment properties	11	2,924	2,924
Long term portion of investment in marketable securities	12	2,175,278	1,528,760
Investment in an associate	13	52,807	51,441
Long term receivables	14	1,000	4,123
		<u>2,435,413</u>	<u>1,795,915</u>
Current assets			
Current portion of investment in marketable securities	12	8,648	41,147
Inventories	15	84,017	74,438
Trade and other receivables	16	155,521	121,630
Due from related parties	19	50,680	44,411
Cash in hand and at bank	17	218,182	77,917
		<u>517,048</u>	<u>359,543</u>
Current liabilities			
Trade and other payables	18	161,875	69,913
Due to related parties	19	2,644	3,018
Bank overdraft		-	26
		<u>164,519</u>	<u>72,957</u>
Net current assets		<u>352,529</u>	<u>286,586</u>
Provision for end of service benefits	20	(21,992)	(17,715)
		<u>2,765,950</u>	<u>2,064,786</u>
Represented by:			
Share capital	21	276,000	184,000
Share application money payable		26	26
Development and investment reserve	22	300,000	300,000
Cumulative changes in fair value of investments available for sale		1,566,340	973,346
General reserve	23	69,000	69,000
Statutory reserve	24	87,805	67,613
Retained earnings		287,379	378,801
Proposed dividend	25	179,400	92,000
		<u>2,765,950</u>	<u>2,064,786</u>

The notes set out on pages 7 to 32 form part of these financial statements.

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

Chairman

Director

The independent auditor's report 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 and derivative products. The Company was listed on the Dubai Financial Market in 2005.

2 Basis of preparation

Statement of compliance

These financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the requirements of UAE Federal Law No. 8 of 1984 (as amended).

Basis of measurement

These financial statements are prepared under the historical cost convention except in respect of investment in marketable securities and derivative financial instruments which are stated at fair values.

Functional and presentation currency

The financial statements are presented in United Arab Emirates Dirham ("AED"), which is also the Company's functional currency. All financial information presented in AED has been rounded to the nearest thousand.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in these financial statements are described in note 32.

National Cement Company Public Shareholding Company

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National Cement Company Public Shareholding Company

Notes (continued)

3 Significant accounting policies (continued)

Associate

Associate is an enterprise in which the Company has significant influence and which is neither a subsidiary nor a joint venture. 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. These financial statements include the Company's share of the total recognized gains and losses of associate, accounted for on an equity accounting basis from the date that significant influence commences and until the date that significant influence ceases. When the Company's share of losses exceed the carrying amount of the investment in associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligation in respect of that associate.

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.

Financial instruments

Non derivative financial instruments

Non-derivative financial instruments comprise investment in marketable securities, long-term receivables, trade receivables, due from related parties, cash and cash equivalents, trade and other payables and due to related parties.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Available for sale financial assets

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 classified as available for sale are initially recognized 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 derecognized, the cumulative gain or loss previously recognized directly in equity is recognized 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.

National Cement Company Public Shareholding Company

Notes (continued)

3 Significant accounting policies (continued)

Financial instruments (continued)

Held to maturity investments

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity and which are not designated at fair value through profit or loss or available for sale.

Held to maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held to maturity investments not close to their maturity would result in the reclassification of all held to maturity investments as available for sale and prevent the Company from classifying investment securities as held to maturity for the current and following two financial years.

Others

Other non-derivative financial instruments are measured at amortised cost using the effective interest method less impairment losses, if any.

Cash and cash equivalents comprise cash and bank balances including fixed deposits with an original maturity of three months or less. 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 for the purpose of the statement of cash flows.

Derivative financial instruments

Derivative financial instruments are categorized as held for trading unless they are designated as hedges. The Company has derivative instruments which do not qualify for hedge accounting. Changes in the fair value of such derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Impairment

Financial asset

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized 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.

National Cement Company Public Shareholding Company

Notes (continued)

3 Significant accounting policies (continued)

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 recognized in the income statement when the significant risks and rewards of ownership have been transferred to the customer. Significant risks and rewards are deemed to be transferred upon dispatch of goods.

Rental income

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

Finance income and expenses

Finance income comprises interest income on bank deposits, dividend income and gains on hedging instruments that are recognized in the income statement. Interest income is recognized as it accrues in the income statement, using the effective interest method. Dividend income is recognized in the income statement on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, impairment losses recognized on financial assets and losses on hedging instruments that are recognized in the income statement. All borrowing costs are recognized in the income statement using the effective interest method.

Interest is payable on overdrafts from banks at normal commercial rates or agreed rates.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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 recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives allowed by the lessor are recognized 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 Significant accounting policies (continued)

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National Cement Company Public Shareholding Company

Notes (continued)

3 Significant accounting policies (continued)

Foreign currency transactions

Transactions denominated in foreign currencies are translated into AED and recorded at the foreign exchange rates 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. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into AED at the foreign exchange rates ruling at the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the income statement.

New standards and interpretations not yet effective

The new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 December 2007 and therefore have not been applied in preparing these financial statements are as follows:

- IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Company's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company's General Manager in order to assess each segment's performance and to allocate resources to them.
- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company's 2009 financial statements. The adoption of the revised IAS 23 is not expected to have a material impact on the financial statements.

4 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to trade receivables, due from related parties and cash at bank. The exposure to credit risk on trade receivables and due from related parties is monitored on an ongoing basis by the management and these are considered recoverable by the Company's management. The Company's cash is placed with banks of good repute.

National Cement Company Public Shareholding Company

Notes (continued)

4 Financial risk management (continued)

Credit risk (continued)

Trade receivables

For receivables on sale of cement and cement related products, the risk of financial loss to the Company is low as bank guarantees act as collateral. In case of default in payment from its customer, the Company has the right to encash the bank guarantee provided by the customer. The five largest customers of the Company account for approximately 59% (2006: 66%) of the trade receivables against which the Company has bank guarantee to the extent of the outstanding amount.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main component of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk mainly relates to payables to suppliers and amounts due from related parties. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Market risk

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

Equity risk

Equity price risk arises from available-for-sale equity securities held for long term purposes. Management of the Company monitors the mix of equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors. The primary goal of the Company's investment strategy is to maximise investment returns.

Interest rate risk

The interest rate on the Company's financial instruments is based on market rates. The Company has entered into interest rate swaps to earn interest income on account of changes in interest rates.

Currency risk

The Company is exposed to currency risk on transactions that are denominated in U.S. Dollars (USD) and Sterling Pounds (GBP).

National Cement Company Public Shareholding Company

Notes (continued)

4 Financial risk management (continued)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. During the current year, the shareholders have approved bonus shares amounting to AED 92 million and the Directors' have proposed a dividend of AED 179.4 million which will be paid by way of cash dividend of AED 96.6 million and by issue of bonus shares of AED 82.8 million. The proposed dividend will be submitted for formal approval and declaration at the Annual General Meeting.

5 Revenue

	2007 AED'000	2006 AED'000
Domestic sale of cement	532,240	455,975
Foreign sale of cement	497	370
	532,737	456,345

6 Cost of sales

	2007 AED'000	2006 AED'000
<i>These include:</i>		
Material expenses	251,720	230,786
Factory utilities and repairs	30,605	21,772
Staff costs	17,071	12,061
Depreciation	12,893	7,833

7 Administrative and general expenses

	2007 AED'000	2006 AED'000
<i>These include:</i>		
Staff costs	15,459	10,974
Depreciation	6,424	4,567
Selling expenses	6,599	5,267

8 Other income

	2007 AED'000	2006 AED'000
Rental income	7,813	4,997
Income from scrap sales	1,622	1,567
Gain on sale of property, plant and equipment	397	123
Other miscellaneous income	5,453	5,900
Write back of excess provision no longer required	9,275	-
	24,560	12,587

National Cement Company Public Shareholding Company

Notes (continued)

10 Property, plant and equipment

	Buildings AED'000	Plant and machinery AED'000	Furniture, fixture and equipment AED'000	Mobile equipments and vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost						
At 1 January 2006	27,552	698,064	11,391	39,566	86,716	863,289
Additions	-	68	30	-	5,001	60,361
Disposals	-	-	-	(1,306)	-	(1,306)
Transfer from capital work in progress	-	141,978	-	-	(141,978)	-
At 31 December 2006	27,552	840,110	11,421	43,261	-	922,344
At 1 January 2007	27,552	840,110	11,421	43,261	-	922,344
Additions	2,327	262	250	4,549	9,687	17,075
Disposals	-	(2,995)	-	(1,228)	-	(4,223)
Transfer from capital work in progress	-	9,687	-	-	(9,687)	-
At 31 December 2007	29,879	847,064	11,671	46,582	-	935,196
Depreciation						
At 1 January 2006	20,430	639,055	7,972	35,064	-	702,521
Charge for the year	2,038	7,087	891	2,384	-	12,400
On disposals	-	-	-	(1,244)	-	(1,244)
At 31 December 2006	22,468	646,142	8,863	36,204	-	713,677
At 1 January 2007	22,468	646,142	8,863	36,204	-	713,677
Charge for the year	2,041	12,264	930	4,082	-	19,317
On disposals	-	(15)	-	(1,187)	-	(1,202)
At 31 December 2007	24,509	658,391	9,793	39,099	-	731,792
Net book value						
At 31 December 2007	5,370	188,673	1,878	7,483	-	203,404
At 31 December 2006	5,084	193,968	2,558	7,057	-	208,667

- (i) Buildings with a net book value of AED 2.3 million (2006: AED 4.1 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 represented costs incurred towards plant and machinery being constructed and installed at the Company's factory premises which have been transferred to plant and machinery during the current year.

National Cement Company Public Shareholding Company

Notes (continued)

11 Investment properties

	Land AED'000	Buildings AED'000	Total AED'000
Cost			
At 1 January 2006	11,406	16,575	27,981
Additions	9,223	-	9,223
Disposals	(17,705)	-	(17,705)
	=====	=====	=====
At 31 December 2006	2,924	16,575	19,499
	=====	=====	=====
At 1 January 2007	2,924	16,575	19,499
	=====	=====	=====
At 31 December 2007	2,924	16,575	19,499
	=====	=====	=====
Depreciation			
At 1 January 2006	-	16,575	16,575
	=====	=====	=====
At 31 December 2006	-	16,575	16,575
	=====	=====	=====
At 1 January 2007	-	16,575	16,575
	=====	=====	=====
At 31 December 2007	-	16,575	16,575
	=====	=====	=====
Net book value			
At 31 December 2007	2,924	-	2,924
	=====	=====	=====
At 31 December 2006	2,924	-	2,924
	=====	=====	=====

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 within that year at 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, during the previous year, the Company had sold another plot of land with a carrying value of AED 8.5 million for a consideration of AED 31.2 million resulting in a gain of AED 22.4 million net of commission of AED 0.3 million.

No depreciation is charged on buildings as these 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)

11 Investment properties

	Land AED'000	Buildings AED'000	Total AED'000
Cost			
At 1 January 2006	11,406	16,575	27,981
Additions	9,223	-	9,223
Disposals	(17,705)	-	(17,705)
	=====	=====	=====
At 31 December 2006	2,924	16,575	19,499
	=====	=====	=====
At 1 January 2007	2,924	16,575	19,499
	=====	=====	=====
At 31 December 2007	2,924	16,575	19,499
	=====	=====	=====
Depreciation			
At 1 January 2006	-	16,575	16,575
	=====	=====	=====
At 31 December 2006	-	16,575	16,575
	=====	=====	=====
At 1 January 2007	-	16,575	16,575
	=====	=====	=====
At 31 December 2007	-	16,575	16,575
	=====	=====	=====
Net book value			
At 31 December 2007	2,924	-	2,924
	=====	=====	=====
At 31 December 2006	2,924	-	2,924
	=====	=====	=====

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 within that year at 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, during the previous year, the Company had sold another plot of land with a carrying value of AED 8.5 million for a consideration of AED 31.2 million resulting in a gain of AED 22.4 million net of commission of AED 0.3 million.

No depreciation is charged on buildings as these 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)

12 Investments in marketable securities

	2007 AED'000	2006 AED'000
Current investments	8,648	41,147
Non current investments	2,175,278	1,528,760
	<u>2,183,926</u>	<u>1,569,907</u>

The movement at cost in available for sale securities are as follows:

At the beginning of the year	596,562	262,475
Additions	167,125	88,996
Reclassification from held to maturity (refer note (i) below)	-	254,642
Disposals	(131,757)	(9,551)
At the end of the year	<u>631,930</u>	<u>596,562</u>

Also refer note 9(ii).

The movement at cost in held to maturity securities are as follows:

At the beginning of the year	-	192,187
Additions	-	179,460
Disposals	-	(117,005)
Reclassified to available for sale (refer note (ii) below)	-	(254,642)
At the end of the year	<u>-</u>	<u>-</u>

- (i) In the previous year, the Company had redeemed significant portion of the securities classified as held to maturity investments as at 31 December 2005, which were not close to their maturities. As a result, in accordance with IAS 39, held to maturity portfolio was tainted and therefore the Company is prohibited from classifying any financial assets as held to maturity for the current and the following financial year. Accordingly, the Company's investment in securities which were earlier classified as held to maturity investments had been reclassified as available for sale investments in the previous year. These investments are now being fair valued with the resultant unrealized gains and losses reported in equity, except for impairment losses, under the caption, cumulative changes in fair value of investments available for sale.
- (ii) At the balance sheet date, the Company's long-term investments represent available for sale investments in securities 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 marketable equity securities which are held as available for sale investments. During the current year, the Company has recognized fair value gain of AED 599.84 million (2006: fair value loss of AED 630.67 million) under equity on marketable equity securities.

National Cement Company Public Shareholding Company

Notes (continued)

13 Investment in an associate (continued)

The movement of investment in the associate during the year was as follows:

	2007 AED'000	2006 AED'000
Balance at 1 January	51,441	51,441
Share in net assets of an associate	1,366	-
Balance at 31 December	52,807	51,441

Summary financial information on associates:

	2007 AED'000	2006 AED'000
Assets	199,982	-
Liabilities	972	-
Equity	197,257	257,205
Income	13,111	-
Profit/(loss)	6,832	-

14 Long term receivables

	2007 AED'000	2006 AED'000
Long term receivable (refer note below)	1,000	4,123

Long term receivable comprise advance provided to an employee of the Company for various investments to be made on behalf of the Company.

The Company's exposure to credit risk and impairment losses related to loans and receivables are disclosed in note 31.

15 Inventories

	2007 AED'000	2006 AED'000
Raw material	38,814	43,134
Work in progress	27,416	16,098
Finished goods	3,810	3,387
Spare parts	21,099	18,941
	91,139	81,560
Less: provision for slow moving inventories	(7,122)	(7,122)
	84,017	74,438

National Cement Company Public Shareholding Company

Notes (continued)

16 Trade and other receivables

	2007 AED'000	2006 AED'000
Trade receivables	143,228	118,605
Other receivables and prepayments	12,293	3,025
	<u>155,521</u>	<u>121,630</u>

The Company's exposure to credit risk and impairment losses related to loans and receivables is disclosed in note 31.

17 Cash in hand and at bank

	2007 AED'000	2006 AED'000
Cash in hand	591	615
Cash at bank		
- in current accounts	76,617	62,209
- in deposit accounts	140,974	15,093
	<u>218,182</u>	<u>77,917</u>

The Company's exposure to credit risk and interest rate risk related to cash at bank are disclosed in note 31.

18 Trade and other payables

	2007 AED'000	2006 AED'000
Trade payables	48,482	13,559
Fair value of derivative financial instruments (refer note 9)	94,016	3,839
Other payables and accruals (refer note below)	17,627	51,115
Directors' fees	1,750	1,400
	<u>161,875</u>	<u>69,913</u>

In the previous year, other payables and accruals included an amount of AED 14.69 million payable towards further call made by Berber Cement towards share capital at 31 December 2006.

The Company's exposure to liquidity risk related to trade payables is disclosed in note 31.

National Cement Company Public Shareholding Company

Notes (continued)

19 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 other than sale of investments. Significant transactions with related parties other than those disclosed elsewhere in these financial statements are as follows:

	2007 AED'000	2006 AED'000
Purchases from related parties	39,062	115,270
Sales to related parties	82,375	84,738
Sale of investment in marketable securities to a Director (refer note below)	15,000	-

During the current year, the Company sold certain investments in marketable equity securities to a Director for an amount of AED 15.00 million. The sale consideration is equal to the fair value of these securities as at the date of sale. This transaction resulted in a net gain of AED 14.79 million which has been recognized in the income statement. Also refer note 9.

Compensation to key management personnel including Directors is as follows:

	2007 AED'000	2006 AED'000
Salaries and other short-term employee benefits	3,454	3,054
End of service benefits charged to the income statement	85	46
End of service benefits payable at the year-end	4,450	2,300
Directors' fee (as an appropriation from retained earnings)	1,750	1,050

The Company's exposure to credit risk and liquidity risk related to related party balances are disclosed in note 31.

20 Provision for end of service benefits

	2007 AED'000	2006 AED'000
Balance at 1 January	17,715	18,023
Provision for the year	5,390	1,411
Payments during the year	(1,113)	(1,719)
Balance at 31 December	21,992	17,715

National Cement Company Public Shareholding Company

Notes (continued)

21 Share capital	2007	2006
	AED'000	AED'000
Issued and fully paid up:		
276,000,000 shares of AED 1 each (2006: 184,000,000 shares of AED 1 each)	<u>276,000</u>	<u>184,000</u>
Issued for cash (92,000,000 shares of AED 1 each) (2006: 92,000,000 shares of AED 1 each)	<u>92,000</u>	<u>92,000</u>
Bonus shares issued by capitalizing retained earnings (184,000,000 shares of AED 1 each) (2006: 92,000,000 shares of AED 1 each)	<u>184,000</u>	<u>92,000</u>

At 31 December 2007, the share capital comprised ordinary equity shares. All issued shares are fully paid. The holders of ordinary equity shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

During the current year, the Directors have issued 92,000,000 bonus shares of par value of AED 1 each by capitalising retained earnings of the Company by an equivalent amount.

22 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.

23 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.

24 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.

25 Proposed dividend

For 2007, a dividend of AED 179.4 million has been proposed which will be paid by way of cash dividend of AED 96.6 million and by issue of bonus shares amounting to AED 82.8 million. The proposed dividend will be submitted for formal approval and declaration at the Annual General Meeting. In 2006, a dividend of AED 92 million was proposed by the Board of Directors. This was approved and declared by the Annual General Meeting and paid during the year 2007.

National Cement Company Public Shareholding Company

Notes (continued)

26 Segment reporting

Business segments

The Company's activities comprise two main business segments, namely, (i) manufacture and sell cement and cement related products and (ii) investment in marketable securities and derivative products. The details of segment revenue, segment result, segment assets and segment liabilities are as under:

	2007			2006		
	Cement	Investment in	Total	Cement	Investment in	Total
	AED'000	marketable securities and derivative products	AED'000	AED'000	marketable securities and derivative products	AED'000
Segment revenue	532,757	101,222	633,979	456,345	29,667	486,012
Segment result	218,034	(7,138)	210,896	181,744	25,828	207,572
Profit on sale of investment properties	-	-	-	-	-	22,832
Other income	-	-	24,560	-	-	12,587
Unallocated expenses	-	-	(34,970)	-	-	(26,754)
Financial income and expense (net)	-	-	68	-	-	(107)
Results from operating activities	-	-	200,554	-	-	216,130
Share of profit in equity accounted investee	1,366	-	1,366	-	-	-
Net profit for the year	-	-	201,920	-	-	216,130
Segment assets	700,728	2,198,926	2,899,654	534,110	1,569,907	2,104,017
Investment in equity accounted investee	52,807	-	52,807	51,441	-	51,441
Total assets	753,535	2,198,926	2,952,461	585,551	1,569,907	2,155,458
Segment liabilities	92,495	94,016	186,511	86,833	3,839	90,672
Total liabilities	92,495	94,106	186,511	86,833	3,839	90,672
Capital expenditure	17,075	167,125	184,200	60,361	88,996	149,357
Depreciation	19,317	-	19,317	12,400	-	12,400
Impairment losses on available for sale financial assets	-	14,344	14,344	-	-	-

National Cement Company Public Shareholding Company

Notes (continued)

27 Earnings per share

	2007	2006
Net profit attributable to shareholders (AED'000)	201,920	216,130
Weighted average number of shares	276,000,000	276,000,000
Earnings per share	0.73	0.78

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 2007 (276,000,000 shares).

28 Contingent liabilities

	2007 AED'000	2006 AED'000
Letters of guarantee	-	1,809

29 Capital commitments

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

30 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.

31 Financial instruments

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

National Cement Company Public Shareholding Company

Notes (continued)

31 Financial instruments (continued)

(a) Credit risk

Exposure to credit risk

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

	2007 AED'000	2006 AED'000
Long-term receivables	1,000	4,123
Trade receivables	143,228	118,605
Cash at bank	217,591	77,302
Due from related parties	50,680	44,411
	<u>412,499</u>	<u>244,441</u>

Impairment losses

The ageing of trade receivables at the reporting date was:

	2007		2006	
	Gross AED'000	Impairment AED'000	Gross AED'000	Impairment AED'000
Not past due	80,081	-	64,915	-
Past due 1 - 90 days	58,384	-	46,429	-
Past due 91 - 360 days	4,412	-	6,600	-
More than one year	351	-	661	-
	<u>143,228</u>	<u>-</u>	<u>118,605</u>	<u>-</u>

The Company obtains bank guarantees from its customers which act as a collateral. The fair value of the collateral is AED 102.5 million (2006: AED 61.3 million). For customers where there is no collateral, the management is of the view that the outstanding balances are fully recoverable.

The Company does not carry any allowance for impairment in respect of trade receivables. Accordingly, the movement in the allowance for impairment is not disclosed.

National Cement Company Public Shareholding Company

Notes (continued)

31 Financial instruments (continued)

(b) Interest rate risk

The Company is exposed to interest rate risk on cash at bank (including time deposits), investment in marketable securities and derivative financial instruments (interest rate swap contracts).

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

	2007 AED'000	2006 AED'000
Fixed rate instruments		
Financial assets	140,974	15,093

Fixed rate assets comprise bank deposits.

	2007 AED'000	2006 AED'000
Variable rate instruments		
Investments in marketable securities	465,177	390,024
Interest rate swap contracts		
- Contracts with a positive value	20,018	37
- Contracts with a negative value	47,851	3,876
Commodity contracts		
- Contracts with a negative value	66,183	-

Variable rate instruments comprise investment in marketable securities which carry interests 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 31 December 2007, the Company had outstanding interest rate swap contracts with a notional amount of USD 330 million (AED 1,212 million) (*31 December 2006: USD 150 million (AED 551 million)*) and outstanding commodity derivative contracts with a notional amount of USD 232 million (AED 852 million) (*31 December 2006: AED Nil*). The fair values of interest rate swap contracts and commodity derivative swap contracts are mentioned above and have been accounted in these financial statements.

Sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect the income statement.

National Cement Company Public Shareholding Company

Notes (continued)

31 Financial instruments (continued)

(b) Interest rate risk (continued)

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/decreased equity and profit or loss by the amounts shown below. The analysis below excludes interest capitalised and assumes that all other variables remain constant.

	Income statement		Equity	
	100 bp Increase AED'000	100 bp Decrease AED'000	100 bp Increase AED'000	100 bp Decrease AED'000
31 December 2007				
Variable rate instruments	468	(468)	468	(468)
	=====	=====	=====	=====
31 December 2006				
Variable rate instruments	123	(123)	123	(123)
	=====	=====	=====	=====

(c) Equity risk

The Company's exposure to equity price risk is disclosed in note 12.

(d) Currency risk

Currency risk faced by the Company is minimal as there are minimal foreign currency transactions. In respect of monetary assets and liabilities in United States Dollar ("USD"), there is no exchange risk involved presently as AED is pegged to USD. However, the Company is exposed to foreign currency risk (i.e. Sterling Pounds) on investment in marketable securities.

	2007 AED'000	2006 AED'000
Investment in marketable securities	7,602	-
	=====	----
Gross and net balance sheet exposure	7,602	-
	=====	----

The Company does not have forward exchange contracts to hedge its exposure to foreign currency risk.

The exchange rate applied at the reporting date for GBP 1 is AED 7.60.

Sensitivity analysis

A strengthening of the AED against the GBP by 10 percent at 31 December 2007 would have reduced the profit by AED 0.76 million. A weakening of the AED against the GBP by 10 percent at 31 December 2007 would have increased the profit by a similar amount. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis has not been performed for 2006 as there was no foreign currency exposure at 31 December 2006.

National Cement Company Public Shareholding Company

Notes (continued)

31 Financial instruments (continued)

(e) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting of agreements:

Financial liabilities	Carrying amount AED'000	Contractual cash flows AED'000	less than 1 year AED'000	1-2 years AED'000	3-5 years AED'000	more than 5 years AED'000
31 December 2007						
Non-derivative financial liabilities						
Trade and other payables	67,859	(67,859)	(67,859)	-	-	-
Due to related parties	2,644	(2,644)	(2,644)	-	-	-
Derivative financial liabilities						
Interest rate swaps used for hedging	27,833	(27,833)	(4,627)	(4,627)	(13,882)	(4,697)
Commodity derivatives	66,183	(66,183)	(8,034)	(27,292)	(30,857)	-
Total	164,519	(164,519)	(83,164)	(31,919)	(44,739)	(4,697)
31 December 2006						
Non-derivative financial liabilities						
Trade and other payables	66,074	(66,074)	(66,074)	-	-	-
Due to related parties	3,018	(3,018)	(3,018)	-	-	-
Bank overdraft	26	(27)	(27)	-	-	-
Derivative financial liabilities						
Interest rate swaps used for hedging	3,839	(3,839)	(3,839)	-	-	-
Commodity derivatives	-	-	-	-	-	-
Total	72,957	(72,958)	(72,958)			

Contractual cash flows for derivative financial instruments are as per valuation reports. Such contractual cash flows may vary as a result of changes in market place.

National Cement Company Public Shareholding Company

Notes (continued)

32 Accounting estimates and judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on receivables

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

(b) Provision for obsolete inventory

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

(c) Valuation of investment properties

The Company carries its investment properties under the cost model. Note 3 contain information about the valuation methodology adopted by the Company for the valuation of investment properties. Should the significant assumptions change, the fair value of investment properties could significantly impact the income statement and balance sheet of the Company in the future.

(d) Estimated useful live and residual value of property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment on an annual basis. The Company has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2007 and the management has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods.

33 Comparative figures

Certain comparative figures have been reclassified in the financial statements to conform to the presentation adopted in the current year.

