

NATIONAL CEMENT COMPANY
(PUBLIC SHAREHOLDING CO.)
DUBAI

Annual Report and Financial Statements

Year Ended December 31, 2010

IBDO

National Cement Company (Public Shareholding Co.), Dubai

Annual report and financial statements for the year ended December 31, 2010

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

BOARD OF DIRECTORS REPORT FOR THE YEAR ENDED ON 31.12.2010

**Dear Shareholders,
"Assalam Alaikum",**

On my behalf and also on behalf of the Board of Directors of National Cement Company (PSC), Dubai, we are pleased to welcome you and would like to thank all the shareholders for attending to this General Assembly Meeting. It is our pleasure to put forward a brief report about the results of the Company based on the Audited Financial Statements for the year 2010.

First : Production

The production target based on the market demand of all types of cement has been achieved at 1,140,286 Tons for the year 2010 where as the value of cement sales was Dhs.241,825,283 which was at the rate of Dhs.212 per Ton.

Second : Profit

The profit for the year ended on 31.12.2010 is amounting to Dhs.63,424,000. After discussion about the financial accounts, the Board Directors suggest to pay divided for the year 2010 as below;

- 1- A cash payment of 20 % of paid-up capital;
- 2- 10% from the profit to be transferred to statutory reserve;
- 3- Since the General Reserve is already more than 10% of the paid up capital, there is no need to transfer any further amount;
- 4- The Board of "Directors fees has been fixed at Dhs.250,000/- for each sitting Director;

Third : Balance Sheet

The Company has completed its annual accounts and prepared financial statement for the year ended on 31.12.2010 and handed over to the Auditors, M/s B.D.O CHARTERED ACCOUNTANTS & ADVISORS and the Representative of the Auditors, to audit and discuss the matter about the financial statement.

The Board of Directors finally on the occasion of the closing of the Accounts of the Company, would like to thank all the concerned who have contributed their effects for the development of the Company and express the good wishes in the future endeavors.
"Assalam Alaikum"

CHAIRMAN

ABDULLA AHMED AL-GHURAIR

Independent Auditors' Report

To the shareholders of National Cement Company (Public Shareholding Co.), Dubai

Report on the financial statements

We have audited the accompanying financial statements of National Cement Company (Public Shareholding Co.), Dubai ("the Company"), which comprise the statement of financial position as at December 31, 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls 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 internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the 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 audit opinion.

Opinion

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of National Cement Company (Public Shareholding Co.), Dubai as at December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We have obtained all the information and explanations, which were necessary for the purposes of our audit and no violation of the UAE Commercial Companies Law No. 8 of 1984 (as amended) or of the constitution of the Company came to our attention, which would materially affect the Company's financial position.

In our opinion, the Company maintains proper books of account and the accompanying financial statements are in agreement therewith. The Company has also conducted stocktaking in accordance with established principles and the financial information contained in the Directors' report conforms to the financial statements.



BDO CHARTERED ACCOUNTANTS & ADVISORS

Yunus Yusuf Saif

Reg. No. 418

February 10, 2011

Dubai

بي دي أو محاسبون قانونيون ومستشارون شركة مساهمة مسجلة بدبي وعضو بشركات بي دي أو العالمية ذات عضوية مستقلة. المحدودة. وبضمنان محدود من الملكية المتحدة. وتشكل جزء من شبكة بي دي أو العالمية ذات عضوية مستقلة.

BDO Chartered Accountants & Advisors, a partnership firm registered in Dubai, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

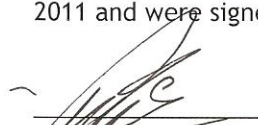
Branch Offices: Abu Dhabi, Sharjah, JAFZ, SAIF Zone & RAKIA Free Zone.

National Cement Company (Public Shareholding Co.), Dubai

Statement of financial position at December 31, 2010

	Note	2010 AED'000	2009 AED'000
Non current assets			
Property, plant and equipment	5	193,002	190,095
Investment properties	6	2,924	2,924
Investment in marketable securities	7	1,402,141	1,412,157
Investment in an associate	8	73,974	48,660
Total non current assets		1,672,041	1,653,836
Current assets			
Investment in marketable securities	7	1,481	2,692
Inventories	9	83,934	68,178
Trade and other receivables	10	104,528	124,375
Due from related parties	11	49,281	75,276
Bank balances and cash	12	11,409	105,061
Total current assets		250,633	375,582
Current liabilities			
Bank overdraft	13	22,030	-
Trade and other payables	14	101,725	157,859
Due to related parties	11	2,410	7,098
Total current liabilities		126,165	164,957
Net current assets		124,468	210,625
Non current liabilities			
Provision for employees' end of service gratuities	15	(26,822)	(27,967)
Net assets		1,769,687	1,836,494
Equity			
Share capital	16	358,800	358,800
Share application money		26	26
Development and investment reserve	17	300,000	300,000
Fair value reserve	18	603,705	570,726
General reserve	19	69,000	69,000
Statutory reserve	20	126,919	120,577
Retained earnings		311,237	417,365
Total equity		1,769,687	1,836,494

The financial statements were approved and authorised for issue by the Board of Directors on February 10, 2011 and were signed on its behalf by:


Chairman


Director

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

Statement of comprehensive income for the year ended December 31, 2010

	Note	2010 AED'000	2009 AED'000
Revenue		241,824	424,309
Cost of sales	22	(235,342)	(309,063)
Gross profit		6,482	115,246
Other income	23	18,978	17,110
		25,460	132,356
Administration, selling and general expenses	24	(29,797)	(32,047)
Finance costs	25	(2,721)	(346)
Share of net profit/(loss) in associate	8	3,644	(4,098)
(Loss)/Profit before financial income and expense		(3,414)	95,865
Financial income	26	66,838	37,873
Net profit for the year		63,424	133,738
Net movement in fair value of available for sale investments		32,999	(722,399)
Total comprehensive income/ (loss) for the year		96,423	(588,661)
Basic and diluted earnings per share (AED)	27	0.18	0.37

National Cement Company (Public Shareholding Co.), Dubai

Statement of changes in equity for the year ended December 31, 2010

	Share capital AED'000	Share application money AED'000	Development & investment reserve AED'000	Fair value reserve AED'000	General reserve AED'000	Statutory reserve AED'000	Retained earnings AED'000	Dividend AED'000	Total AED'000
Balance at January 1, 2009	358,800	26	300,000	1,289,027	69,000	107,203	298,751	161,460	2,584,267
Dividend paid during the year	-	-	-	-	-	-	-	(161,460)	(161,460)
Total comprehensive income for the year	-	-	-	(722,399)	-	-	133,738	-	(588,661)
Transfer on derecognition of investments to statement of comprehensive income	-	-	-	4,098	-	-	-	-	4,098
Transfer to statutory reserve	-	-	-	-	-	13,374	(13,374)	-	-
Directors' fee	-	-	-	-	-	-	(1,750)	-	(1,750)
Balance at December 31, 2009	358,800	26	300,000	570,726	69,000	120,577	417,365	-	1,836,494
Dividend paid during the year	-	-	-	-	-	-	(161,460)	-	(161,460)
Total comprehensive income for the year	-	-	-	32,999	-	-	63,424	-	96,423
Transfer on derecognition of investments to statement of comprehensive income	-	-	-	(20)	-	-	-	-	(20)
Transfer to statutory reserve	-	-	-	-	-	6,342	(6,342)	-	-
Directors' fee	-	-	-	-	-	-	(1,750)	-	(1,750)
Balance at December 31, 2010	358,800	26	300,000	603,705	69,000	126,919	311,237	-	1,769,687

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

Statement of cash flow for the year ended December 31, 2010

	Note	2010 AED'000	2009 AED'000
Cash flows from operating activities			
Net profit for the year		63,424	133,738
Adjustments for:			
Depreciation	5	14,597	17,233
Gain on disposal of property, plant and equipment	23	(1,770)	(78)
Provision for employees' end of service gratuities	15	1,698	1,621
Financial income and expense (net)	25	(66,838)	(37,873)
Share of net loss of an associate	8	(3,644)	4,098
Operating profit before working capital changes		7,467	118,739
(Increase)/Decrease in inventories	9	(15,756)	13,006
Decrease in trade and other receivables	10	19,847	6,969
Decrease/(Increase) in due from related parties	11	25,996	(23,585)
(Decrease)/Increase in trade and other payables	14	(56,134)	19,383
(Decrease)/increase in due to related parties	11	(4,688)	(37,956)
Decrease in long term receivable		-	1,000
Payment of end of service benefits	15	(2,843)	(1,839)
<i>Net cash (used in)/ from operating activities</i>		(26,111)	95,717
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(18,653)	(3,320)
Investment in marketable securities	7	(291,532)	(305,811)
Increase in investment in associate	8	(21,670)	-
Proceeds from disposal of property, plant and equipment		2,918	128
Proceeds from disposal of investment in marketable securities	7	338,854	313,091
Dividend income	26	19,278	15,225
Interest income		44,444	24,239
<i>Net cash from investing activities</i>		73,639	43,552
Cash flows from financing activities			
Dividend paid	21	(161,460)	(161,460)
Director's fee		(1,750)	(1,750)
<i>Net cash used in financing activities</i>		(163,210)	(163,210)
Net decrease in cash and cash equivalents		(115,682)	(23,941)
Cash and cash equivalents at beginning of the year		105,061	129,002
Cash and cash equivalents at end of the year	27	(10,621)	105,061

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

1. Status and activities

National Cement Company (Public Shareholding Co.), Dubai ("the Company") is registered in accordance with the decree issued by His Highness Ruler of Dubai on April 10, 1968 establishing a cement company in the Emirate of Dubai and in accordance with the provisions of the UAE Commercial Companies Law No. 8 of 1984 (as amended). The registered address of the Company is P.O. 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 investment securities and derivative products. The Company was listed on the Dubai Financial Market in 2005.

The financial statements for the year ended December 31, 2010 were authorized for issue by the Board of Directors on February 10, 2011.

These financial statements are presented in thousand of UAE Dirhams (AED'000) unless otherwise stated.

2. Adoption of new and revised standards

In the current year, the Company has adopted the following new and revised Standards, Amendments and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("the IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2010.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective for annual periods beginning on or after January 1, 2010). The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. The amendment will not have an impact on the Company's operations because the Company did not have such transactions.
- IAS 7 (Amendment), 'Statement of cash flows' (effective for annual periods beginning on or after January 1, 2010). The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. As the Company did not have such expenditure, it did not affect the Company.
- IAS 36 (Amendment), 'Impairment of assets' (effective for annual periods beginning on or after January 1, 2010). The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purpose of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (That is before the aggregation of segments with similar economic characteristics).
- IAS 39 (Amendment), 'Financial instruments: recognition and measurement' (effective for annual periods beginning on or after January 1, 2010). The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

2. Adoption of new and revised standards (*Continued*)

The following Standards, Amendments and Interpretations are not yet effective and have not been adopted by the Company:

- IFRS 1 (Revised), 'First time adoption of International Financial Reporting Standards', (effective for annual periods on or after July 1, 2010).
- IFRS 1 (Revised), 'First time adoption of International Financial Reporting Standards', (effective for annual periods on or after January 1, 2011)
- IFRS 3 (Revised), 'Business Combinations', (effective for annual periods on or after July 1, 2010).
- IFRS 7 (Revised), 'Financial Instruments- disclosure', (effective for annual periods beginning on or after January 1, 2011).
- IFRS 9 (New), 'Financial Instruments-Classification and Measurement', (effective for annual periods beginning on or after January 1, 2013).
- IAS 24 (Revised), 'Related Party Disclosures', (effective for annual periods beginning on or after January 1, 2011).
- IAS 27 (Revised), 'Consolidated and Separate Financial Statements', (effective for annual periods on or after July 1, 2010)
- IAS 32 (Revised), 'Financial Instruments Presentation' (effective for annual periods beginning on or after February 1, 2010).

3. Significant accounting policies

These financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards. These financial statements also comply with the requirements of UAE Commercial Companies Law No. 8 of 1984 (as amended). The significant accounting policies adopted are as follows:

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

Capital work in progress is stated at cost. All costs related to specific assets incurred during the year are carried under this heading. These are transferred to specific assets when they are available for use.

Depreciation

Depreciation is provided consistently on a straight line basis so as to write off the cost of property, plant and equipment over their estimated useful lives as follows:

Buildings	3-14 years
Plant and machinery	3-25 years
Furniture, fixture and equipments	4-7 years
Motor vehicles	3 years

3. Significant accounting policies (*Continued*)

Investment properties

Investment properties are initially accounted for by using the cost model under IAS 40 *Investment property* and subsequent measurements are done in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model.

Investment properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is provided consistently on a straight line basis so as to write off the cost of investment properties over their estimated useful lives. Land forming part of the investment properties is not depreciated. Buildings forming part of the investment properties have been depreciated from the date of acquisition on a straight line basis so as to write off the cost of buildings over their estimated useful life of 10 years.

Investment in associate

Where the Company has power to participate in but not control the financial and operating policy decisions of another entity, it is classified as an associate. Investment in associate is accounted for using the equity method and is initially recognized at cost.

The Company's share of the post-acquisition profit and losses is recognised in the statement of comprehensive income, except that losses in excess of the Company's investment in the associate are not recognised unless there is an obligation to make good the losses.

Unrealised gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Company.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the statement of comprehensive income.

Impairments

The carrying amounts of the Company's assets are reviewed annually at each date of statement of financial position to determine whether the assets have been impaired during the year. Where an asset has been impaired, the recoverable amount of the asset is determined. Where the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount. The resultant impairment loss is recognised as an expense in the statement of comprehensive income.

Inventories

Inventories are stated at lower of cost and net realisable value. Cost of raw materials is based on weighted average cost basis and includes expenditure incurred in acquiring raw material and bringing them to their present location and condition. Cost of work in progress and finished goods is based on weighted average cost basis and includes cost of raw material and attributable production labour and overheads. Cost of consumables and spare parts are valued based on the weighted average cost basis. Net realisable value is based on the normal selling price, less cost expected to be incurred on disposal.

3. Significant accounting policies (*Continued*)

Financial assets

All financial assets are recognised and derecognised on trade date and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held to maturity investments, loans and receivables and available for sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

- Financial assets are classified as fair value through profit or loss when the financial asset is either a held for trading investment or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if, it has been acquired principally for the purpose of selling it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.
- Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.
- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Loans and receivables comprise of trade receivables, due from related parties and other receivables that have fixed or determinable payments and are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Available for sale financial assets are listed shares and listed redeemable notes held by the Company that are traded in an active market and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market but are also classified as available for sale financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in statement of comprehensive income and accumulated in the fair valuation reserve. Impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in statement of comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to statement of comprehensive income.

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 financial instruments that do not qualify for hedge accounting are recognized immediately in the statement of comprehensive income.