NATIONAL CEMENT COMPANY
(PUBLIC SHAREHOLDING CO.)
DUBAI

Annual report and financial statements

Year ended December 31, 2011

National Cement Company (Public Shareholding Co.), Dubai

Annual report and financial statements for the year ended December 31, 2011

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National Cement Co. p.s.c.

BOARD OF DIRECTORS REPORT FOR THE YEAR ENDED ON 31.12.2011

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 2011.

First : Production

The production target based on the market demand of all types of cement has been achieved at 899,178 Tons for the year 2011 where as the value of cement sales was Dhs.185,500,000.

Second : Project

The Government has agreed for the Project of firing the kiln from fuel to coal and the company has already started this project which is expected to be completed by first half of year 2012.

Third : Profit

The profit for the year ended on 31.12.2011 is amounting to Dhs.64,424,000. After discussion abut the financial accounts, the Board Directors suggest to pay divided for the year 2011as below;

1- A cash payment of 20% of paid-up capital;
2- Since the statutory reserve; is already 50% of the paid up capital, there is no need to transfer any further amount;
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;

Fourth : Balance Sheet

The Company has completed its annual accounts and prepared financial statement for the year ended on 31.12.2011 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

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سجل تجاري رقم ٤١١٥٠
رأس المال المصرح به والمدفوع ٣٥٨،٨٠٠،٠٠٠ درهم
ص.ب: ٤٠٤١ دبي – الإمارات العربية المتحدة
هاتف: ٣٣٨٨٨٨٥-٤-٩٧١+، فاكس: ٣٣٨٨٨٨٦-٤-٩٧١+

BDO

هاتف : ٩٧١ ٤ ٢٢٢ ٢٨٦٩+
فاكس : ٩٧١ ٤ ٢٢٧ ٠١٥١+

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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, 2011, 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, 2011, 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 Saifee
Reg. No. 418
January 25, 2012
Dubai

Statement of financial position at December 31, 2011

	Note	AED'000	2010 AED'000
Non current assets			
Property, plant and equipment	5	**183,394**	193,002
Investment properties	6	**2,924**	2,924
Investment in marketable securities	7	**1,426,801**	1,402,141
Investment in an associate	8	**78,723**	73,974
Total non current assets		**1,691,842**	1,672,041
Current assets			
Investment in marketable securities	7	**811**	1,481
Inventories	9	**57,645**	83,934
Trade and other receivables	10	**161,454**	104,528
Due from related parties	11	**149,509**	49,281
Bank balances and cash	12	**21,125**	11,409
Total current assets		**390,544**	250,633
Current liabilities			
Bank loans and overdrafts	13	**139,489**	22,030
Trade and other payables	14	**41,716**	101,725
Due to related parties	11	**4,142**	2,410
Total current liabilities		**185,347**	126,165
Net current assets		**205,197**	124,468
Non current liabilities			
Provision for employees' end of service gratuities	15	**(25,228)**	(26,822)
Net assets		**1,871,811**	1,769,687
Equity			
Share capital	16	**358,800**	358,800
Share application money		**26**	26
Development and investment reserve	17	**-**	300,000
Fair value reserve	18	**714,665**	603,705
General reserve	19	**316,517**	69,000
Statutory reserve	20	**179,402**	126,919
Retained earnings		**302,401**	311,237
Total equity		**1,871,811**	1,769,687

The financial statements were approved and authorised for issue by the Board of Directors on January 25, 2012 and were signed on its behalf by:

Director

Director

The notes on pages 7 to 34 form part of these financial statements.

National Cement Company (Public Shareholding Co.), Dubai

Statement of comprehensive income for the year ended December 31, 2011

	Note	AED'000	2010 AED'000
Revenue		**185,501**	241,824
Cost of sales	22	**(188,395)**	(235,342)
Gross (loss) / profit		**(2,894)**	6,482
Other income	23	**13,458**	18,978
		10,564	25,460
Administration, selling and general expenses	24	**(30,038)**	(29,797)
Finance costs	25	**(3,657)**	(2,721)
Share of net profit in associate	8	**4,749**	3,644
Loss before financial income and expense		**(18,382)**	(3,414)
Financial income	26	**82,806**	66,838
Net profit for the year		**64,424**	63,424
Net movement in fair value of available for sale investments		**83,238**	32,999
Total comprehensive income for the year		**147,662**	96,423
Basic and diluted earnings per share (AED)	27	**0.18**	0.18

The notes on pages 7 to 34 form part of these financial statements.

National Cement Company (Public Shareholding Co.), Dubai

Statement of changes in equity for the year ended December 31, 2011

	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	Total AED'000
Balance at January 1, 2010	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 resevre	-	-	-	-	-	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**
Dividend paid during the year	-	-	-	-	-	-	(71,760)	(71,760)
Total comprehensive income for the year	-	-	-	83,238	-	-	64,424	147,662
Transfer on derecognition of investments to statement of comprehensive income	-	-	-	27,722	-	-	-	27,722
Transfer to general reserve	-	-	(247,517)	-	247,517	-	-	-
Transfer to statutory reserve	-	-	(52,483)	-	-	52,483	-	-
Directors' fee	-	-	-	-	-	-	(1,500)	(1,500)
Balance at December 31, 2011	**358,800**	**26**	**-**	**714,665**	**316,517**	**179,402**	**302,401**	**1,871,811**

The notes on pages 7 to 34 form part of these financial statements.

National Cement Company (Public Shareholding Co.), Dubai

Statement of cash flow for the year ended December 31, 2011

	Note	AED'000	2010 AED'000
Cash flows from operating activities			
Net profit for the year		64,424	63,424
Adjustments for:			
Depreciation	5	14,157	14,597
Gain on disposal or property, plant and equipment	23	(166)	(1,770)
Provision for employees' end of service gratuities	15	1,496	1,698
Financial income and expense (net)	25	(82,806)	(66,838)
Share of net profit of an associate	8	(4,749)	(3,644)
Operating profit before working capital changes		(7,644)	7,467
Derease / (Increase) in inventories	9	26,289	(15,756)
(Increase)/ Decrease in trade and other receivables	10	(56,925)	19,847
(Increase) / Decrease in due from related parties	11	(100,211)	25,996
Decrease in trade and other payables	14	(60,024)	(56,134)
Increase/ (Decrease) in due to related parties	11	1,731	(4,688)
Payment of end of service benefits	15	(3,090)	(2,843)
Net cash (used in) operating activities		(199,874)	(26,111)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(4,551)	(18,653)
Investment in marketable securities	7	(311,371)	(291,532)
Increase in investment in associate	8	-	(21,670)
Proceeds from disposal of property, plant and equipment		168	2,918
Proceeds from disposal of investment in marketable securities	7	392,356	338,854
Dividend income	26	23,379	19,278
Interest income	26	65,410	44,444
Net cash from investing activities		165,391	73,639
Cash flows from financing activities			
Dividend paid	21	(71,760)	(161,460)
Director's fee		(1,500)	(1,750)
Increase in bank loans		139,489	-
Net cash from / (used in) financing activities		66,229	(163,210)
Net increase / (decrease) in cash and cash equivalents		31,746	(115,682)
Cash and cash equivalents at beginning of the year		(10,621)	105,061
Cash and cash equivalents at end of the year	28	21,125	(10,621)

The notes on pages 7 to 34 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, 2011 were authorized for issue by the Board of Directors on January 25, 2012.

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

2. Adoption of new and revised standards

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Company.

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- *Amendments to IFRS 7 Disclosures - Transfers of Financial Assets (Effective for annual periods beginning on or after 1 July 2011)* - The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

  The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Company's disclosures regarding transfers of trade receivables previously affected. However, if the Company enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

- *IFRS 9 'Financial instruments'*, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this

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

creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013.

- *IFRS 12 'Disclosures of interests in other entities'* includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- *IFRS 13 'Fair value measurement',* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012.

- *Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income* (Effective for annual periods beginning on or after 1 July 2012) - The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

  The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

- IAS 28 (as revised in 2011) - Investments in Associates and Joint Ventures (Effective for annual periods beginning on or after 1 January 2013).

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

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.

3. **Significant accounting policies (*Continued*)**

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.

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.

3. Significant accounting policies (*Continued*)

- 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 value 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 fair value 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.

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.

Employees' end of service gratuities

Provision is made for employees' end of service gratuities on the basis prescribed in the UAE Labour Law, for the accumulated period of service at the date of statement of financial position.

Effective 1 January 2003, the Government of Dubai has joined Federal Labour Law No.7 of 1999 for pension and social security. Under this law, employers at the option of the employee are required to contribute 15% of the 'contribution calculation salary' of those employees who are UAE national to the scheme. These employees are also required to contribute 5% of the 'contribution calculation salary' to the scheme. The UAE national's employed by the Company have not opted for this scheme and hence no expense is incurred by the Company on this scheme.

3. Significant accounting policies (*Continued*)

Provisions

Provisions are recognised in the statement of financial position when the Establishment has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The Company's financial liabilities consist of trade and other payables, bank overdraft and due to related parties. The trade and other payables and due to related parties are stated at cost and bank overdrafts are recorded at the proceeds received less repayments. Other financial liabilities are initially measured at fair value, net of transaction costs. The subsequent measurement is at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis.

Revenue recognition

Revenue from the sales of goods is recognised net of discounts, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount is measured reliably.

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established. Interest revenue is accrued on a time basis. Rental income from investment properties is recognised on a straight line basis over the term of the relevant lease.

Leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

3. Significant accounting policies (*Continued*)

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Profit or loss attributable to ordinary shareholders will be adjusted for any after tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity. Diluted EPS is calculated by dividing profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. Potential ordinary shares be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

Foreign currencies

Transactions in foreign currencies during the year are converted into AED at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated to AED at the rates of exchange ruling at the date of statement of financial position. All gains and losses on exchange are taken to the statement of comprehensive income.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash, bank balances, bank overdrafts and fixed deposits free of encumbrance with maturity periods of three months or less from the date of deposit.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated useful life of property, plant and equipment

Property, plant and equipment is depreciated over its estimated useful life, which is based on estimates for expected usage of the asset and expected physical wear and tear which are dependent on operational factors. Management has not considered any residual value or any adjustments for the remaining estimated useful life based on the internal review carried out.

4. Critical accounting judgments and key sources of estimation uncertainty (*Continued*)

Impairment of property, plant and equipment

The Company reviews its property, plant and equipment to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recorded in the statement of comprehensive income, the Company makes judgment as to whether there is any observable data indicating that there is a reduction in the carrying value of property, plant and equipment. Accordingly, provision for impairment is made when there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property, plant and equipment.

Valuation of investment properties

The Company carries its investment properties under the cost model. Note 6 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 statement of comprehensive income and statement of financial position of the Company in the future.

Impairment losses on available for sale investments

The Company determines that available for sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates factors such as change in market rate of the equity instruments since the purchase date of such instrument, the market scenario and the financial performance of the issuer.

Obsolete Inventories

Inventories are stated at the lower of cost and net realisable value. Adjustments have been made to reduce the cost of inventory to its realisable value, if required, for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing and quality issues. Based on the above factors, the Company has arrived at certain percentages for allowance for slow moving and obsolete inventories. Revisions to these adjustments would be required if these factors differ from the estimates.

Impairment losses on trade 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 amounts due from related parties. In determining whether impairment losses should be recorded in the statement of comprehensive income, the Company makes judgments 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.

5. Property, plant and equipment

Movements in property, plant and equipment are given on page 33.

Some of the buildings with a net book value of AED Nil (2010: AED Nil) 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 in the foreseeable future.

Capital work in progress represents projects undertaken by the Company for the construction of Beta Mill, Slag Flash Dryer, Conversion of Kiln By Pass ESP BAG and Coal Mill Project. The total estimated cost of the projects is AED 70 million.

6. Investment properties

Investment properties represent land and villas constructed on those lands held for rental purpose and for capital appreciation.

Movement in investment properties is as follows:

	Land AED'000	Villas AED'000	Total AED'000
Cost			
At January 1, 2010	2,924	16,575	19,499
At December 31, 2010	2,924	16,575	19,499
At December 31, 2011	**2,924**	**16,575**	**19,499**
Depreciation			
At January 1, 2010	-	16,575	16,575
At December 31, 2010	-	16,575	16,575
At December 31, 2011	-	**16,575**	**16,575**
Net book value			
At December 31, 2011	**2,924**	-	**2,924**
At December 31, 2010	2,924	-	2,924

The fair market value of investment properties, including land, is estimated to be in the range of AED 45 million to AED 50 million (2010: AED 45 million to 50 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.

6. Investment properties (*Continued*)

Land forming part of the investment properties is not depreciated.

Summary of income and expenses from investment properties generating rental income is as follows:

	AED'000	2010 AED'000
Rental income	**2,607**	3,696
Direct operating expenses	**439**	341

7. Investment in marketable securities

	AED'000	2010 AED'000
Non current investments	**1,426,801**	1,402,141
Current investments	**811**	1,481
	1,427,612	1,403,622

Non current investments represents available for sale investments in securities which are intended to be held for more than one year from the date of statement of financial position. The Company's current investments comprise investments in quoted marketable equity securities which are held as available for sale investments.

Movement in available for sale investments at fair value are as follows:

	AED'000	2010 AED'000
Opening balance	**1,403,622**	1,414,849
Additions	**311,371**	291,532
Disposals/redeemed	**(398,341)**	(335,738)
Reclassification adjustments on disposal of investments	**27,722**	(20)
Fair value changes	**83,238**	32,999
	1,427,612	1,403,622