NATIONAL CEMENT COMPANY
(PUBLIC SHAREHOLDING CO.)
DUBAI

Interim condensed financial statements

Period ended June 30, 2012

National Cement Company (Public Shareholding Co.), Dubai

Interim condensed financial statements for the period ended June 30, 2012

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National Cement Company (Public Shareholding Co.), Dubai

Interim condensed statement of financial position at June 30, 2012

	Note	Unaudited June 30 2012 AED'000	Audited December 31, 2011 AED'000	Unaudited June 30 2011 AED'000
Non current assets				
Property, plant and equipment	4	209,315	183,394	186,674
Investment properties	5	2,924	2,924	2,924
Investment in marketable securities	6	1,192,440	1,426,801	1,342,635
Investment in an associate	7	87,076	78,723	73,974
Total non current assets		1,491,755	1,691,842	1,606,207
Current assets				
Investment in marketable securities	6	888	811	1,341
Inventories	8	57,298	57,645	63,866
Trade and other receivables	9	150,919	161,454	167,144
Due from related parties	10	162,556	149,509	85,500
Bank balances and cash	11	40,142	21,125	9,125
Total current assets		411,803	390,544	326,976
Current liabilities				
Due to related parties	10	4,177	4,142	3,174
Bank loans and overdrafts	12	209,479	139,489	109,350
Trade and other payables	13	52,429	41,716	72,741
Total current liabilities		266,085	185,347	185,265
Net current assets		145,718	205,197	141,711
Non current liabilities				
Provision for employees' end of service gratuities		(24,953)	(25,228)	(26,077)
Net assets		1,612,520	1,871,811	1,721,841
Equity				
Share capital	14	358,800	358,800	358,800
Share application money payable		26	26	26
Development and investment reserve		-	-	300,000
Fair value reserve	15	486,260	714,665	589,013
General reserve	16	316,517	316,517	69,000
Statutory reserve	17	179,402	179,402	126,919
Retained earnings		271,515	302,401	278,083
Total equity		1,612,520	1,871,811	1,721,841

These interim condensed financial statements were approved and authorised for issue by the Board of Directors on August 12, 2012 and were signed on their behalf by:

Director

Director

Interim condensed statement of comprehensive income for the period ended June 30, 2012

	Note	Unaudited Three months period ended June 30, 2012 AED'000	Unaudited Three months period ended June 30, 2011 AED'000	Unaudited Six months period ended June 30, 2012 AED'000	Unaudited Six months period ended June 30, 2011 AED'000
Revenue		50,546	48,428	99,226	105,140
Cost of sales	19	(43,915)	(52,178)	(90,759)	(114,926)
Gross profit		6,631	(3,750)	8,467	(9,786)
Other income	20	3,227	3,745	6,222	6,698
		9,858	(5)	14,689	(3,088)
Administration, selling and general expenses	21	(6,500)	(8,437)	(15,409)	(17,763)
Finance cost	22	(1,208)	-	(3,109)	-
Profit before financial income and expense		**2,150**	**(8,442)**	**(3,829)**	**(20,851)**
Financial income/(expense) net	23	23,109	34,100	44,703	61,689
Net profit for the period		**25,259**	**25,658**	**40,874**	**40,838**
Net movement in fair value of available for sale investments		(262,946)	(1,599)	(233,057)	(2,232)
Total comprehensive loss/income for the period		**(237,687)**	24,059	**(192,183)**	38,606
Basic and diluted earnings per share (AED)	24	0.07	0.07	0.11	0.11

Interim condensed statement of changes in equity for the period ended June 30, 2012

	Share capital AED'000	Share application money payable 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 equity AED'000
Balance at January 1, 2011	**358,800**	**26**	**300,000**	**603,705**	**69,000**	**126,919**	**311,237**	**1,769,687**
Net movement in changes in fair value statement of comprehensive income	-	-	-	(16,924)	-	-	-	(16,924)
Transfer on dereocgnition of investments to statement of comprehensive income				2,232	-	-	(2,232)	-
Total comprehensive income for the period	-	-	-	-	-	-	40,838	40,838
Dividend paid during the period	-	-	-	-	-	-	(71,760)	(71,760)
Balance at June 30, 2011	**358,800**	**26**	**300,000**	**589,013**	**69,000**	**126,919**	**278,083**	**1,721,841**
Balance at January 1, 2012	**358,800**	**26**	**-**	**714,665**	**316,517**	**179,402**	**302,401**	**1,871,811**
Transfer on dereocgnition of investments to statement of comprehensive income	-	-	-	4,652	-	-	-	4,652
Total comprehensive income for the period	-	-	-	(233,057)	-	-	40,874	(192,183)
Dividend paid during the period	-	-	-	-	-	-	(71,760)	(71,760)
Balance at June 30, 2012	**358,800**	**26**	**-**	**486,260**	**316,517**	**179,402**	**271,515**	**1,612,520**

The notes on pages 6 to 20 form part of these interim condensed financial statements

Interim condensed statement of cash flow for the period ended June 30, 2012

	Note	Six months period ended June 30, 2012 AED'000	Six months period ended June 30, 2011 AED'000
Cash flows from operating activities			
Net profit for the period		40,874	40,838
Adjustments for:			
Depreciation	4	6,634	7,131
Gain on disposal or property, plant and equipment	4	(459)	(128)
Provision for employees' end of service gratuities		1,162	645
Financial income and expense (net)	23	(44,081)	(61,689)
Fair value movements		-	22,546
Operating proft before working capital changes		4,130	9,343
Change in inventories	8	347	20,068
Change in trade and other receivables	9	10,535	(62,616)
Change in due from related parties	10	(13,039)	(36,219)
Change in trade and other payables	13	10,713	(28,984)
Change in due to related parties	10	35	764
Payment of end of service benefits		(1,437)	(1,353)
Net cash generated from/(used in) operating activities		11,284	(98,997)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(32,558)	(849)
Investment in marketable securities	6	(158,016)	(134,635)
Investment in associate		(8,353)	-
Proceeds from disposal of property, plant and equipment	4	459	136
Proceeds from disposal of investment in marketable securities		163,598	176,353
Dividend income		26,666	21,422
Interest income		17,707	18,726
Net cash from investing activities		9,503	81,153
Cash flows from financing activities			
Dividend paid during the period	18	(71,760)	(71,760)
Increase in bank loans		29,316	95,485
Net cash (used in)/from financing activities		(42,444)	23,725
Net (decrease)/increase in cash and cash equivalents		(21,657)	5,881
Cash and cash equivalents at beginning of the period		21,125	(10,621)
Cash and cash equivalents at end of the period	25	(532)	(4,740)

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 Federal 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 is listed on the Dubai Financial Market since 2005.

The interim condensed financial statements for the six months period ended June 30, 2012 were authorized for issue by the Board of Directors on August 12, 2012.

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

2. Basis of preparation

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for interim condensed financial statements (International Accounting Standard 34 Interim Financial Reporting). These interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2011.

3. Significant accounting policies

The accounting policies applied in the preparation of these interim condensed financial information are consistent with those applied in the annual financial statements of the Company for the year ended December 31, 2011.

These interim condensed 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.

4. Property, plant and equipment

During the six month period ended June 30, 2012 additions to the property, plant and equipment amounted to approximately AED 32.5 million and assets with a cost of AED 1.87 million were sold during the period. Depreciation charge for the period amounts to AED 6.63 million.

5. Investment properties

Investment properties represent land and villas constructed on that land. No investment properties were bought or sold during the current period and no depreciation was charged as the depreciable assets are fully depreciated.

The fair market value of investment properties, including land, is in the range of AED 45 million to AED 50 million (June 30, 2011: 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 in marketable securities

	Unaudited June 30, 2012 AED'000	Audited December 31, 2011 AED'000	Unaudited June 30, 2011 AED'000
Non current investments	**1,192,440**	1,426,801	1,342,635
Current investments	**888**	811	1,341
	1,193,328	1,427,612	1,343,976

a. At June 30, 2012, investments include AED 46.08 million (December 31, 2011: AED 46.24 million) which are stated at cost. In the opinion of the management, the fair value of these investments is not materially different from their carrying amounts.

b. At June 30, 2012, investments in marketable securities amounting to AED 311.4 million (December 31, 2011: AED 324.21 million) are held in the personal name of one of the Company's Director for the beneficial interest of the Company.

c. Investments amounting to AED 229.34 million (December 31, 2011: AED 237.58 million) are held under lien against various un-drawn bank facilities.

7. Investment in an associate

Investment in an associate company represents 22.74% share in Berber Cement Company (Ltd), a limited liability company registered in the Republic of Sudan. The principal activity of the associate is to manufacture and sell cement. The Company's share in net assets of the associate has been equity accounted as at December 31, 2011 based on the unaudited financial statements of the associate as at December 31, 2011.

8. Inventories

	Unaudited June 30, 2012 AED'000	Audited December 31, 2011 AED'000	Unaudited June 30, 2011 AED'000
Raw materials	27,354	34,660	40,124
Work in progress	9,518	1,574	1,586
Finished goods	2,829	2,211	2,901
Consumable and spare parts	24,719	26,322	26,377
Provision for obsolence	(7,122)	(7,122)	(7,122)
	57,298	57,645	63,866

9. Trade and other receivables

	Unaudited June 30, 2012 AED'000	Audited December 31, 2011 AED'000	Unaudited June 30, 2011 AED'000
Trade receivables	92,206	92,561	100,845
Allowance for doubtful debts	(6,000)	(6,000)	(6,000)
	86,206	86,561	94,845
Advances	12,616	22,787	20,327
Advance towards investment	51,824	51,824	51,823
Prepayments and other receivables	273	282	149
	150,919	161,454	167,144

10. Related party disclosures

The Company, in the ordinary course of its business, enters into trading and financing transactions with concerns which fall within the definition of "related party" as contained in International Accounting Standard 24. The balances due to/from such parties, which have been disclosed separately in the interim condensed financial statements, are unsecured and repayable on demand. The management believes that the terms of the trading transactions are not materially different from those that could have been obtained from unrelated parties.

10. Related party disclosures *(Continued)*

The significant related party transactions during the period are as follows:

Related party	Unaudited Three months period ended June 30, 2012 AED'000	Unaudited Three months period ended June 30, 2011 AED'000	Unaudited Six months period ended June 30, 2012 AED'000	Unaudited Six months period ended June 30, 2011 AED'000
With Affiliates:				
- Sale of cement	**3,639**	3,333	**7,379**	10,325
- Purchase of materials and services	**1,939**	1,881	**6,805**	6,216
With Key Management Personnel:				
- Salaries & other short term benefits	**901**	996	**1,755**	1,803
- E.O.S benefits charged	**48**	48	**95**	95
- E.O.S benefits at period end	**5,812**	5,622	**5,812**	5,622

Related party balances are as under:

	Unaudited June 30, 2012 AED'000	Audited December 31, 2011 AED'000	Unaudited June 30, 2011 AED'000
Payables:			
- To other related parties	**4,177**	4,142	3,174
Receivables:			
- From Associate	**147,283**	112,318	-
- From other related parties	**9,236**	27,376	81,750
- From Director	**6,037**	9,815	3,750

11. Bank balances and cash

	Unaudited June 30, 2012 AED'000	Audited December 31, 2011 AED'000	Unaudited June 30, 2011 AED'000
Cash at hand	661	606	581
Current accounts with banks	39,481	20,519	8,544
	40,142	21,125	9,125

12. Bank loans and overdrafts

	Unaudited June 30, 2012 AED'000	Audited December 31, 2011 AED'000	Unaudited June 30, 2011 AED'000
Bank overdrafts	40,674	-	13,865
Bank loans	168,805	139,489	95,485
	209,479	139,489	109,350

Bank loans and overdrafts are secured by a lien on investments and a bank guarantee of USD 20 million in the name of a bank.

13. Trade and other payables

	Unaudited June 30, 2012 AED'000	Audited December 31, 2011 AED'000	Unaudited June 30, 2011 AED'000
Trade payables	18,492	16,198	21,393
Derivative financial instruments	-	622	15,489
Other accruals and payables	15,650	10,378	19,411
Advances	316	133	-
Directors' fees	-	1,500	-
Dividend payable	17,971	12,885	16,448
	52,429	41,716	72,741

Please refer to note 27 for further information on derivative financial instruments.

14. Share capital

	Unaudited June 30, 2012 AED'000	Audited December 31, 2011 AED'000	Unaudited June 30, 2011 AED'000
Issued and fully paid up:			
358,800,000 shares of AED 1 each	358,800	358,800	358,800

15. Fair value reserve

This reserve represents the cumulative changes in fair value of investments in marketable securities.

16. General reserve

As required by Article 57.2 of the Article of Association of the Company, 10% of the net profit has to be transferred to general reserve. It can be discontinued by the resolution of the ordinary general meeting on the proposal of 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. No such transfer has been made during the period under review.

17. 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 reserve. Such allocation may be ceased when the statutory reserve equals 50% of the paid up share capital.

No allocation has been made to the statutory reserve for the three months period ended June 30, 2012 as the reserve equaled 50% of the paid share capital as at December 31, 2011.

18. Dividend

For the financial year ended December 31, 2011, a dividend of AED 71.76 million was proposed by the Directors' of the Company which was approved in the Annual General Meeting on March 21, 2012. This was paid out by way of cash dividend.

19. Cost of sales

	Unaudited Three months period ended June 30, 2012 AED'000	Unaudited Three months period ended June 30, 2011 AED'000	Unaudited Six months period ended June 30, 2012 AED'000	Unaudited Six months period ended June 30, 2011 AED'000
Material expenses	26,922	37,629	58,144	80,743
Factory utilities	9,598	7,030	15,252	16,044
Staff costs	4,436	4,471	11,388	12,026
Depreciation	2,959	3,048	5,975	6,113
	43,915	52,178	90,759	114,926

20. Other income

	Unaudited Three months period ended June 30, 2012 AED'000	Unaudited Three months period ended June 30, 2011 AED'000	Unaudited Six months period ended June 30, 2012 AED'000	Unaudited Six months period ended June 30, 2011 AED'000
Rental income from invest. prc	1,047	936	1,584	982
Other rental income	1,360	1,718	2,644	3,785
Income from scrap sales	621	784	1,349	1,516
Gain on disposal - P.P.E.	11	19	457	128
Other income	188	288	188	287
	3,227	3,745	6,222	6,698

21. Administration, selling and general expenses

	Unaudited Three months period ended June 30, 2012 AED'000	Unaudited Three months period ended June 30, 2011 AED'000	Unaudited Six months period ended June 30, 2012 AED'000	Unaudited Six months period ended June 30, 2011 AED'000
Staff salaries and benefits	3,580	3,422	8,939	8,465
License fees	-	-	221	221
Insurance	50	-	619	618
Communication	43	55	62	90
Repair and maintenance	1,490	1,370	3,149	2,423
Travelling and conveyance expenses	52	106	117	214
Legal and professional	60	75	165	175
Electricity and water	64	61	105	107
Depreciation	363	503	659	1,018
Other	152	604	332	905
Finance Charges	646	2,241	1,041	3,527
	6,500	8,437	15,409	17,763

22. Finance costs

Finance costs represent interest paid on overdrafts and bank loans.

23. Financial income

	Unaudited Three months period ended June 30, 2012 AED'000	Unaudited Three months period ended June 30, 2011 AED'000	Unaudited Six months period ended June 30, 2012 AED'000	Unaudited Six months period ended June 30, 2011 AED'000
Interest income:				
- interest rate swap contracts	2,253	296	2,424	474
- investments	8,554	9,565	15,096	18,252
Net revaluation gain (unrealised) on:				
- interest rate swap contracts	93	16,302	622	22,546
Gain on disposal of availale for sale financial assets	19,572	-	4,548	-
Dividend income - available for sale	11,565	9,605	26,665	21,422
Financial income	42,037	35,768	49,355	62,694
Loss on disposal of available for sale investments	18,928	1,668	4,652	1,005
Financial expense	18,928	1,668	4,652	1,005
Financial income net	23,109	34,100	44,703	61,689

24. Earnings per share

	period ended June 30, 2012	period ended June 30, 2011	period ended June 30, 2012	period ended June 30, 2011
Net profit attributable - shareholders	25,259	24,059	40,874	38,605
Weighted average number of shares	358,800	358,800	358,800	358,800
Earnings per share	0.07	0.07	0.11	0.11

25. Cash and cash equivalents

	Unaudited Six months period ended June 30, 2012 AED'000	Unaudited Six months period ended June 30, 2011 AED'000
Bank balances and cash	40,142	9,125
Bank overdraft	(40,674)	(13,865)
	(532)	(4,740)

26. Segment reporting

The Company's activities comprise two main business segments, manufacturing and selling cement and cement related products and investment in marketable securities and derivative products. The details of segment revenue, segment result, segment assets and segment liabilities have been provided on page 20.

27. Financial instruments

Capital risk management

The capital is managed by the Company in a way that it is able to continue as a going concern while maximizing return to stakeholders.

The capital structure of the Company consists of borrowings, cash and cash equivalents and equity attributable to equity holders comprising of issued capital, reserves and retained earnings.

Market risk management

The Company is primarily exposed to the financial risks of changes in foreign currency exchange rates (currency risk), interest rates (interest rate risk) and market prices (other price risk).

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument or the Company, or factors affecting all similar financial instruments traded in the market.

27. Financial instruments *(Continued)*

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuation arise. The Company is mainly exposed to US Dollars. The US Dollar has been pegged against the United Arab Emirates Dirham ("AED"), hence no exchange risk is considered to exist.

Interest rate risk management

The Company is exposed to interest rate risk on cash at bank (including time deposits), available for sale investments and interest rate swap contracts.

If the interest rates on available for sale investments have had been 50 base points higher or lower and all other variables were held constant, the Company's profits would have increased or decreased by AED 427,700 (June 30, 2011: AED 91,528)

If the interest rates on interest swap contracts have had been 50 base points higher or lower and all other variables were held constant, the Company's profits would have increased or decreased by AED 112,650 (June 30, 2011: AED 2,370).

Other price risk management

The Company is exposed to other price risks in market on its equity investments. Investments in equity instruments are generally held for long term and are not traded actively.

If equity prices in market had been 10% higher/lower:

- Available for sale investment valuation reserve would increase/decrease by AED 24.9 million.
- The profit would be unaffected as equity investments are classified as available for sale.

Credit risk management

Credit risk is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company is exposed to credit risk from its financial assets which comprise principally of fixed deposits, bank balances, trade and other receivables, due from related parties and investments. The credit risk on trade receivables is subjected to credit evaluations and an allowance may be made for estimated irrecoverable amounts. The Company is not exposed to any significant concentration of credit risk because its exposure is spread over financial institutions.

27. Financial instruments *(Continued)*

Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company has built appropriate liquidity risk management framework for the management of its short, medium and long term funding and liquidity requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cashflows.

Derivative contracts

The Company's investments in certain securities normally carry interest which is linked to LIBOR.

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

At June 30, 2012 the Company had outstanding interest rate swap contracts with a notional amount of USD 85 million (AED 311 million) ((December 31, 2011: USD 185 million (AED 681 million)). The fair value of the interest rate and commodity swap contracts are shown as under:

	Unaudited June 30, 2012 AED'000	Audited December 31, 2011 AED'000	Unaudited June 30, 2011 AED'000
Interest rate swap - negative value	-	(622)	(15,489)

27. Financial instruments *(Continued)*

Financial instruments by category

	Unaudited June 30, 2012 AED'000	Audited December 31, 2011 AED'000	Unaudited June 30, 2011 AED'000
Financial assets			
Available for sale investments	**1,193,328**	1,427,612	1,343,976
Loans and receivables:			
- Trade and other receivables	**150,919**	161,454	167,144
- Due from related parties	**162,556**	149,508	85,500
Cash and bank balances	**40,142**	21,125	9,125
Financial liabilities			
Other financial liabilities			
- Trade and other payables	**52,429**	41,716	72,741
- Due to related parties	**4,177**	4,142	3,174
Bank loans and overdrafts	**209,479**	139,489	109,350

28. Capital commitments

	Unaudited June 30, 2012 AED'000	Audited December 31, 2011 AED'000	Unaudited June 30, 2011 AED'000
Property plant and equipment	**6,972**	38,150	35,000

29. 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 had 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.

30. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in these interim condensed financial statements.

Segment report as on June 30, 2012

	Six months period ended June 30, 2012 (Unaudited)			Six months period ended June 30, 2011 (Unaudited)		
	Cement	Investment in marketable securities and derivative products	Total	Cement	Investment in marketable securities and derivative products	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Segment revenue	99,226	44,703	143,929	105,140	59,457	164,597
Segment result	8,467	44,703	53,170	(9,786)	59,457	49,671
Other income	-	-	6,222	-	-	6,698
Unallocated expenses	-	-	(18,518)	-	-	(17,763)
Net profit for the year	-	-	40,874	-	-	38,606
Segment assets	623,154	1,193,328	1,816,482	515,233	1,343,976	1,859,209
Investment in equity accounted investee	87,076	-	87,076	73,974	-	73,974
Total assets	710,230	1,193,328	1,903,558	589,207	1,343,976	1,933,183
Segment liabilities	291,038	-	291,038	83,329	15,489	98,818
Total liabilities	291,038	-	291,038	83,329	15,489	98,818
Capital expenditure	32,558	158,016	190,574	806	806	1,612
Depreciation	6,634	-	6,634	7,132	-	7,132