

RAS AL KHAIMAH CEMENT COMPANY-P.S.C.
RAS AL KHAIMAH
UNITED ARAB EMIRATES

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S
REPORT FOR THE YEAR ENDED
31 DECEMBER 2007

RAS AL KHAIMAH CEMENT COMPANY-P.S.C.
RAS AL KHAIMAH
UNITED ARAB EMIRATES

INDEX

	<u>Page</u>	<u>Exhibit</u>
Independent Auditor's Report	1	--
Balance Sheet as of 31 December 2007	2	A
Statement of Income for the year ended 31 December 2007	3	B
Statement of Changes in Shareholders' Equity for the year ended 31 December 2007	4	C
Statement of Cash Flows for the year ended 31 December 2007	5	D
Notes to the Financial Statements	6 – 19	--

Independent Auditor's Report

101480005

**The Shareholders,
Ras Al Khaimah Cement Company,
A Public Shareholding Company,
Ras Al Khaimah - United Arab Emirates.**

We have audited the accompanying financial statements of **Ras Al Khaimah Cement Company**, (a public shareholding company) – Ras Al-Khaimah, which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The board of directors 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 misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 auditor's 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 auditor considers internal control relevant to the company'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 company's internal control. 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.

In our opinion, the financial statements give a true and fair view of the financial position of **Ras Al Khaimah Cement Company**, (a public shareholding company) – Ras Al-Khaimah, as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Also in our opinion, the Company had maintained proper books of account, the stock taking was duly conducted in accordance with accepted principles and the financial information included within the Board of Directors' report is in agreement with books of account. We have obtained the required information and explanation as deemed necessary for audit purposes, and to the extent of information made available to us, nothing came to our attention concerning occurrence of violations during the year of the United Arab Emirates Companies' Law of 1984 (as amended) or its Articles of Association that would have a material effect on the Company's activities or its financial position.

**TALAL ABU-GHAZALEH & CO. INTERNATIONAL
TALAT FARES ZABEN
LICENSED AUDITOR NO. 68**

Ras Al Khaimah
30 January 2008

RAS AL KHAIMAH CEMENT COMPANY-P.S.C.
RAS AL KHAIMAH
UNITED ARAB EMIRATES

BALANCE SHEET AS OF 31 DECEMBER 2007

EXHIBIT A

<u>ASSETS</u>		<u>2007</u>	<u>2006</u>
<u>Non-Current Assets:</u>	Note	AED	AED
Property, plant and equipment	3	483,430,968	469,510,472
Capital spare parts	4	6,667,360	7,165,834
Available-for-sale investments	5	30,987,667	30,813,878
 Total Non-Current Assets		 <u>521,085,995</u>	 <u>507,490,184</u>
 <u>Current Assets:</u>			
Inventories	6	50,642,913	34,253,253
Trade and other receivables	7	127,176,626	124,157,778
Cash and cash equivalents	8	76,473,402	108,019,780
 Total Current Assets		 <u>254,292,941</u>	 <u>266,430,811</u>
 TOTAL ASSETS		 <u>775,378,936</u>	 <u>773,920,995</u>
		=====	=====
 <u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
<u>Capital And Reserves:</u>			
Share capital	9	484,000,000	484,000,000
Reserves	10	94,898,396	83,911,330
Cumulative changes in investment in shares		107,496	(66,293)
Retained earnings		144,358,071	174,309,810
 Total Shareholders' Equity – Exhibit C		 <u>723,363,963</u>	 <u>742,154,847</u>
 <u>Non-Current Liabilities:</u>			
End of service benefits obligation	11	2,128,709	2,012,682
 <u>Current Liabilities:</u>			
Trade and other payables	12	49,886,264	29,753,466
 TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		 <u>775,378,936</u>	 <u>773,920,995</u>
		=====	=====

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

These financial statements have been approved by the
Company's Board of Directors for issue on 30 January 2008

CHAIRMAN

GENERAL MANAGER

RAS AL KHAIMAH CEMENT COMPANY-P.S.C.
RAS AL KHAIMAH
UNITED ARAB EMIRATES

STATEMENT OF INCOME FOR THE
YEAR ENDED 31 DECEMBER 2007

EXHIBIT B

	Note	<u>2007</u> AED	<u>2006</u> AED
Sales revenue	13	334,974,438	325,156,768
Cost of sales	14	<u>(272,774,675)</u>	<u>(191,069,070)</u>
Gross profit		62,199,763	134,087,698
Other income	15	5,533,154	3,387,212
Marketing expenses	16	(1,427,262)	(1,075,339)
Administrative expenses	17	(11,023,546)	(10,446,029)
Finance cost		(346,782)	(163,433)
Profit for the year – Exhibit C		<u>54,935,327</u> =====	<u>125,790,109</u> =====
Basic earning per share	18	0.11 =====	0.26 =====

***THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS***

RAS AL KHAIMAH CEMENT COMPANY-P.S.C.
RAS AL KHAIMAH
UNITED ARAB EMIRATES

STATEMENT OF CASH FLOWS FOR THE
YEAR ENDED 31 DECEMBER 2007

EXHIBIT D

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2007</u> AED	<u>2006</u> AED
Profit for the year – Exhibit B	54,935,327	125,790,109
Adjustments for:		
Depreciation	21,595,892	21,243,149
Provision of spare parts	258,361	270,665
End of service benefits	116,027	333,444
Dividend paid	(12,779)	
Profit from sale of property & equipment	(272,786)	(48,416)
Interest income	(4,951,964)	(3,089,683)
Finance costs	346,782	163,433
Profit before working capital changes	72,014,860	144,662,701
Inventories – (Increase)	(16,389,660)	(3,858,515)
Trade and other receivables – (Increase)	(3,095,925)	(13,620,611)
Trade and other payables – Increase/(Decrease)	20,132,798	(3,284,505)
<i>Net cash from operating activities</i>	<u>72,662,073</u>	<u>123,899,070</u>
	=====	=====
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of property, plant and equipment	(35,541,548)	(6,680,884)
Proceeds from disposal of property and equipment	538,059	471,801
Purchase of available-for-sale investments	--	(25,830,171)
Interest received on bank deposits	5,029,041	2,750,913
Dividend received	12,779	--
<i>Net cash (used in) investing activities</i>	<u>(29,961,669)</u>	<u>(29,288,341)</u>
	=====	=====
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Board of directors' remuneration paid	(1,300,000)	(900,000)
Dividend paid to shareholders	(72,600,000)	--
Short-term borrowing	--	(3,596,426)
Finance costs paid	(346,782)	(163,433)
<i>Total cash (used in) financing activities</i>	<u>(74,246,782)</u>	<u>(4,659,859)</u>
	=====	=====
<i>Net (decrease)/increase in cash and cash equivalents</i>	<u>(31,546,378)</u>	<u>89,950,870</u>
Cash and cash equivalents at beginning of the year	108,019,780	18,068,910
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
<i>– Note 2 (h) & Exhibit A</i>	<u>76,473,402</u>	<u>108,019,780</u>
	=====	=====

**THE ACCOMPANYING NOTES CONSTITUTE AN
INTEGRAL PART OF THESE FINANCIAL STATEMENTS**

RAS AL KHAIMAH CEMENT COMPANY P.S.C.
RAS AL KHAIMAH
UNITED ARAB EMIRATES

NOTES TO THE FINANCIAL STATEMENTS

1. COMPANY INCORPORATION AND ACTIVITIES:

Ras Al Khaimah Cement Company, a public shareholding company (hereinafter referred to as “**the Company**”) was incorporated in Ras Al Khaimah by Amiri Decree number 4 dated 27 May 1995 being issued by **H.H. Sheikh Saqr Bin Mohammad Al Qassimi, Member of The Supreme Council and Ruler of the Emirate of Ras Al Khaimah**. The Company was duly registered according to the law with the official competent authorities and Ministry of Economy and Commerce. The ministerial decision number 7 concerning approval of the Company’s incorporation was issued on 11 February 1996.

The main activity of the Company is producing and marketing portland cement. The Company has started its commercial production on 1st April 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Company have been presented in accordance with International Financial Reporting Standards and applicable requirements of UAE Federal Law No.8 of 1984 (and its amendments) relating to commercial companies. The following is a summary of the significant accounting policies used:

a) Accounting convention:

The Company’s financial statements have been prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments.

b) Trade and settlement date accounting:

The Company adopts the trade date accounting for the regular way purchase or sale of various categories of financial assets. Trade date accounting requires the recognition of the financial asset on the date of its acquisition or sale by the Company.

c) **Property, plant and equipment:**

i) **Depreciation:**

Property, plant and equipment are stated at cost less accumulated depreciation thereon up to the financial statements' date. The Company applies the straight-line method in depreciating its property, plant and equipment over their estimated useful lives.

	<u>Percentage</u>
Factory building	3.33
Plant & equipment	3.33
Mobile equipment & passenger cars	10-25
Office furniture & equipment	10-33
Land improvements	20-25
Specialized tools	25

Loose tools are not subject to depreciation, instead replacements of such tools will be directly charged to expense as incurred.

ii) **Capitalization:**

Expenses incurred in connection with the enhancement of economic life of asset, its capacity, improving the quality of the output or reducing substantially operating costs are capitalized. Maintenance and repairs are expensed as incurred.

Upon disposal of property, plant and equipment items, the assets value and related accumulated depreciation up to the date of disposal are removed from the accounts and any resulting gain or loss is reflected currently in statement of income.

iii) **Recoverable amounts of assets:**

The Company policy is to review annually the recoverable amount of assets comprising its primary cash-generating unit and whenever events or changes indicate that the carrying amount of assets may not be recoverable, an impairment loss is recognized. The Company estimates the net selling price of assets comprising its cash-generating unit based on the best information available to reflect the amount that the Company could obtain, at the balance sheet date from the disposal of the assets in an arms length transaction after the costs of disposal.

The Company determines the value in use by estimating the future net cash flows to be derived from continuing use of the asset and from its ultimate disposal and applying an appropriate discount rate to these future cash flows.

d) Capital spare parts:

Capital spare parts are stated at cost less accumulated depreciation. The Company applies straight-line method in depreciating its capital spare parts over the estimated useful life of plant & equipment, which is 3.33% yearly.

e) Available-for-sale investments:

Available-for-sale investments initially recognized at cost being the fair value of the consideration given.

After initial recognition, investment in shares available for sale is measured at fair value based on market price announced by stock market. Any differences resulting from re-measurement of investment in shares available for sale are reported in shareholders equity as changes in fair value of investment in shares.

When the Company sells its investment in shares, the gain or loss which previously reported in shareholders equity within changes in fair value of investment in shares is transferred to income statement in the current year.

Unquoted available-for-sale investments are carried at cost due to the unpredictable nature of future cash flows and the lack of other suitable methods for arriving at a reliable fair value.

f) Inventories:

Inventories include finished and semi-finished cement, raw materials and consumables.

Finished and semi-finished cement are valued at the lower of production cost or net realizable value. Actual cost includes cost of raw materials and labour and appropriate proportionate share of the manufacturing overhead.

Raw materials are stated at the average cost basis, but not in excess of net realizable value thereof.

Spare parts are valued at lower of cost and net realizable value.

g) Trade accounts receivable:

Short-term trade accounts receivables are measured at the issued invoice amount.

h) Cash and cash equivalents:

Cash represents cash on hand plus balances of bank checking accounts less bank overdraft balances that fluctuate from debit to credit during the year (if any). Cash equivalents represent the entire highly liquid investments which are readily convertible into known amounts of cash and which are exposed to an insignificant risk of changes in value. Cash equivalents include call deposits and term deposits with original maturity of three months or less from the date of placement.

i) End of service benefits obligation:

The end of service benefits obligation (indemnity) is accounted for the employees and labour of non-UAE national on the basis of UAE Federal Labour Law.

j) Trade accounts payable:

Trade accounts payable are measured at the supplier invoice amount.

k) Short-term employees' benefits:

Short-term employees' benefits obligation consists of the provision for leave salaries and air passage tickets. Provision for leave is accounted for on the basis of one month of basic salary plus house allowance for every completed year of service. The provision for air passage tickets is provided for as per the terms and conditions of the underlying employment contracts for which the computation is effected based on current market prices of air tickets as of the financial statements' date.

l) Revenue recognition:

Cash sales are recognized upon collecting cash proceeds from sales, which concurrently accompanied by issuing cash sales invoices to customers. Credit sales are recognized when current products are delivered or shipped to customers assuming no further obligation remaining on the part of the Company as a result of shipment of current products to customers.

m) Pension:

Pension expenses pertaining to UAE National workforce is accounted for in accordance with UAE Federal Law No. (7) of 1999.

n) Foreign Currency:

Assets and liabilities in foreign currencies are converted into U.A.E. Dirhams at exchange rates prevailing at the balance sheet date.

Foreign currency transactions consummated during the year were converted into UAE Dirhams at actual exchange rates ruling at the time of these transactions. Any exchange gains or losses resulting from the variation in exchange rates are taken currently to statement of income.

o) Financial instruments:

The Company's financial instruments are principally comprised of trade accounts receivables, notes receivable, cash and cash equivalents, end of service benefits obligation and trade and other payables.

The Company use different assumptions to estimate the fair value of the financial instruments. The significant assumptions underlying the estimation of fair value of financial instruments, include, reference to quoted market prices, estimating the net realizable value, applying the discounted cash flows approach using current market interest rate, and other assumption depending on the management past experience.

If an objective evidence existing that a financial instrument may be impaired, the impairment losses recognized in the income statement for the current year.

4. **CAPITAL SPARE PARTS:**

Capital spare parts have been stated at cost less accumulated depreciation as follows:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Capital spare parts	7,781,424	8,021,537
Provision for capital spare parts	(1,114,064)	(855,703)
Net – Exhibit A	<u>6,667,360</u> =====	<u>7,165,834</u> =====

5. **AVAILABLE-FOR-SALE INVESTMENTS:**

a) The movements over these investments are as follows:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Balance at 1 January	30,813,878	5,050,000
Additions	--	25,830,171
Difference resulting from re-measurement of investment in shares - Exhibit C	173,789	(66,293)
Total – Exhibit A	<u>30,987,667</u> =====	<u>30,813,878</u> =====

b) The above investments are classified as follows:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Unquoted investments – Note 5 (c)	30,550,000	30,550,000
Quoted investments	437,667	263,878
Total – Note 5 (a) above	<u>30,987,667</u> =====	<u>30,813,878</u> =====

c) Unquoted available-for-sale investments amounting to AED 30,550,000 are carried at cost due to the unpredictable nature of future cash flows and the lack of other suitable methods for arriving at a reliable fair value.

6. **INVENTORIES:**

This item consists of the following:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Finished cement	8,462,004	5,962,138
Semi-finished cement	5,731,855	1,905,496
Raw materials	4,414,281	4,837,754
Consumables	5,343,875	3,573,001
Spare parts	26,690,898	17,974,864
Total – Exhibit A	<u>50,642,913</u> =====	<u>34,253,253</u> =====

7. TRADE AND OTHER RECEIVABLES:

a) This item consists of the following:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Trade accounts receivable – Note 7 (b)	118,440,643	115,723,825
Notes receivable – Note 7 (c)	2,939,304	933,584
Other receivables - Note 7 (d)	<u>5,796,679</u>	<u>7,500,369</u>
Total – Exhibit A	<u>127,176,626</u>	<u>124,157,778</u>

b) **Trade accounts receivable:**

1. The Company's customer base is dispersed across a relatively small number of resellers and distributors. As of 31 December 2007 the total accounts receivable balance include an amount of AED 99,153,391 being due from 6 customers only, which constitutes 84% of the total balance of accounts receivable.

2. The above trade accounts receivables are partially covered by bank guarantees received from the customers amounting to AED 80,900,000 (AED 80,240,000 for 2006)

c) **Notes receivable:**

Notes receivable shown in Note 7(a) above are matured before the end of February 2008.

d) **Other receivables:**

This item consists of the following:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Prepaid expenses	693,445	765,250
Advances to suppliers	3,708,101	6,178,905
Accrued interest	285,561	362,639
Insurance claim receivable	1,100,272	185,275
Others	<u>9,300</u>	<u>8,300</u>
Total – Note 7 (a) above	<u>5,796,679</u>	<u>7,500,369</u>

8. CASH AND CASH EQUIVALENTS:

This item consists of the following:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Cash on hand	14,992	11,085
Petty cash account	21,000	21,000
Current account with bank	7,775	406,465
Call deposit with bank	20,000,000	20,000,000
Fixed deposits with maturity of three months or less	62,000,000	90,000,000
Overdrawn book balance of current account with bank	(4,998,852)	(2,418,770)
Overdrawn book balance of dividend payment deposit a/c	<u>(571,513)</u>	<u>--</u>
Net – Exhibit A	<u>76,473,402</u>	<u>108,019,780</u>

9. SHARE CAPITAL:

The Company's share capital consists of fully paid-up 484,000,000 ordinary shares of one Dirham par value per share.

10. RESERVES:

- a) In accordance with the Company's Articles of Association, 10% of the net profit for the year is to be deducted and retained in a legal reserve account and such appropriation shall be suspended when the reserve balance reaches an amount equal to 50% of the Company's paid-up capital. Such appropriation will be resumed whenever the reserve balance becomes less than 50% of the Company's paid-up capital. Another 10% of the net profit for the year is to be transferred for the creation of an optional reserve account. This appropriation will be suspended by a resolution from the general assembly meeting based on a proposal put forward by the Board of Directors or whenever the reserve balance amounts to 20% of Company's paid-up capital. This reserve shall be used for the objects as determined by the general assembly meeting on proposals submitted by the Board of Directors.

- b) The movements over reserves during the year were as follows:

<u>Description</u>	<u>Statutory</u> <u>reserve</u> <u>AED</u>	<u>Optional</u> <u>reserve</u> <u>AED</u>	<u>Total</u> <u>AED</u>
Balance at 31 December 2005	29,859,937	28,893,371	58,753,308
Additons during 2006	12,579,011	12,579,011	25,158,022
Balance at 31 December 2006 – Exhibit A	42,438,948	41,472,382	83,911,330
Additions during 2007	5,493,533	5,493,533	10,987,066
Balance at 31 December 2007 – Exhibit A	47,932,481	46,965,915	94,898,396

11. END OF SERVICE BENEFITS OBLIGATION:

The movement over this account during the year is as follows:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Balance at January 1	2,012,682	1,679,238
Current service cost	499,249	414,500
Paid during the year	(383,222)	(81,056)
Balance at 31 December – Exhibit A	2,128,709	2,012,682

12. TRADE AND OTHER PAYABLES:

a) The details of this item are as follows:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Trade accounts payable – Note 12 (b)	24,878,344	21,326,036
Other payables – Note 12 (c)	25,007,920	8,427,430
Total – Exhibit A	<u>49,886,264</u>	<u>29,753,466</u>

b) Trade accounts payable:

Trade accounts payable shown above include an amount of AED 13,056,237 being due to 5 suppliers only which constitutes 52 % of the total balance of trade accounts payable.

c) Other payables:

This item consists of the following:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Accrued expenses	319,274	296,224
Accrued capital expenditure	5,861,907	790,275
Provision for replacement of bricks & balls	4,389,211	878,476
Provision for plant maintenance	10,999,665	4,014,905
Provision for insurance claim	676,457	--
Provision for staff removal expenses	60,000	60,000
Provision for staff bonus	1,209,487	1,290,654
Short-term employees benefits	1,383,160	1,016,888
Unclaimed dividend	12,157	--
Advances from customers	66,261	49,667
Others	30,341	30,341
Total – Note 12 (a) above	<u>25,007,920</u>	<u>8,427,430</u>

13. SALES REVENUE;

The geographical-wise allocation of sales revenue is as follows:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
UAE Market – Cement	330,730,142	311,951,174
Foreign Market – Cement	4,244,296	13,205,594
Total – Exhibit B	<u>334,974,438</u>	<u>325,156,768</u>

14. COST OF SALES

This item consists of the following:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Energy	145,187,075	96,489,146
Clinker purchased	28,799,523	--
Direct materials used	40,565,820	37,630,619
Direct labour	8,093,595	8,181,553
Depreciation	20,944,570	20,762,133
Repairs & maintenance	17,173,777	13,170,156
Other manufacturing overhead	18,336,540	16,124,970
Total manufacturing cost	279,100,900	192,358,577
Inventory adjustment	(6,326,225)	(1,289,507)
Cost of Sales - Exhibit B	<u>272,774,675</u> =====	<u>191,069,070</u> =====

15. OTHER INCOME:

This item consists of the following:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Interest income	4,951,964	3,089,683
Profit from sale of property & equipment	272,786	48,416
Profit from sale of scrap	246,094	247,112
Miscellaneous income	49,531	2,001
Income from dividend	12,779	--
Total – Exhibit B	<u>5,533,154</u> =====	<u>3,387,212</u> =====

16. MARKETING EXPENSES:

This item consists of the following:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Salaries and related benefits	981,173	920,789
Advertising	445,278	153,598
Miscellaneous expenses	811	952
Total – Exhibit B	<u>1,427,262</u> =====	<u>1,075,339</u> =====

17. ADMINISTRATIVE EXPENSES:

This item consists of the following:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Salaries and related benefits	4,316,229	3,805,048
Environment development cost	3,000,000	3,000,000
Donations	501,527	743,024
Management staff expenses	281,684	196,014
Depreciation	909,682	751,681
Repairs & maintenance	125,326	177,162
Legal & professional expenses	242,810	233,402
Insurance charges	108,631	168,325
Telephone expenses	128,395	120,394
Environmental committee	257,256	257,256
Printing & stationery	67,166	92,519
Miscellaneous expenses	1,084,840	901,204
Total – Exhibit B	11,023,546 =====	10,446,029 =====

18. BASIC EARNING PER SHARE:

Basic earning per share is determined by dividing net profit for the year by the average number of outstanding ordinary stock during the year as follows:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Profit for the year – Exhibit B	54,935,327 =====	125,790,109 =====
	Ordinary share	Ordinary share
Weighted average number of outstanding shares – Note 9	484,000,000 =====	484,000,000 =====
Basic Earning per Share – Exhibit B	0.11 =====	0.26 =====

19. RELATED PARTY TRANSACTIONS:

The Company in its normal course of business conducts transactions with other enterprises or individuals being considered related party as defined by International Financial Reporting Standards. These transactions are comprised of selling and purchasing cement and clinker and rendering or receiving services.

The transactions with related companies are normally consummated at similar prices quoted to/from third parties. The transaction during the year and the net balance due to/from related companies were as follows:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Expenses	--	70,342
Purchases	--	--
Debit balances	--	290,045

The remuneration of members of key management during the year was as follows:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Short-term benefits	1,383,018	1,123,610
Board of directors remuneration (charged to equity)	1,300,000	900,000

20. FINANCIAL INSTRUMENTS:

a) FAIR VALUE OF FINANCIAL INSTRUMENTS:

International Financial Reporting Standards require the disclosure of estimated fair values of financial instruments where it is applicable to estimate that value. The use of different assumptions and estimation methods could have a significant effect on fair value amounts. Accordingly, the estimates presented herein are not necessarily indicative of the amounts of the Company could realize in a current market exchange.

The carrying values of financial assets and liabilities classified in the balance sheet within current assets and liabilities which measured at original cost approximate their respective fair values due to short maturity periods of such financial instruments.

b) CREDIT RISKS

International Financial Reporting Standards require disclosure of information about the Company's exposure to credit risk. As of the financial statements date, the Company has maintained both recognized and unrecognized financial instruments that exposed to credit risk as follows:

i) Financial instruments recognized in balance sheet

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally trade accounts receivable. The Company's customer base is dispersed across a relatively small number of resellers and distributors. The Company generally requires its main customers to provide bank guarantees or bank letters of credit as a security for their purchases of cement - Note No. 7 (b) above.

ii) **Unrecognized financial instruments and liabilities:**

In the ordinary course of business, the Company enters into transactions which involve financial instruments with off-balance sheet risk. These instruments include commitments to extend credit, standby letters of credit, bank guarantees, and involve to varying degrees, elements of credit risk in excess of amounts recognized in the accompanying financial statements. The Company applies the same credit policies in making commitments as it does for on-balance sheet instruments.

Management does not anticipate any losses to result from these commitments and contingencies.

The Company's significant contractual commitments and contingencies as of the attached balance sheet date comprised of the following:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Bank Letters of Credit	5,384,919	2,413,486
Bank Letters of Guarantees	3,000,000	8,600,000

The maximum limit of bank facilities approved are as follows:

	<u>2007</u> <u>AED</u>	<u>2006</u> <u>AED</u>
Bank overdraft	25,000,000	20,000,000
Bank Letters of Credit	25,000,000	20,000,000
Bank Letters of Guarantee	25,000,000	20,000,000

c) **INTEREST RATE RISK:**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company has maintained recognized financial instruments subject to interest rate risk which potentially result in changes in the contractually determined cash flows associated with or may cause repricing of such financial instruments.

The Company's exposure to interest rate risk is limited to call and fixed deposits with banks at fixed interest rate. The bank overdraft facility has not been utilized as of the balance sheet date.

d) **FOREIGN CURRENCY RISK:**

There is no significant exchange rate risk attached to financial assets and financial liabilities denominated in US Dollars. The currency risk in US Dollars is minor, consequently, the potential loss therefrom is insignificant due to stability of the US Dollar exchange rate in relation to UAE Dirham.

e) **MARKET RISK:**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company is exposed to market risk with respect to its investments in securities held amounting to AED 30,987,667.

21. GENERAL:

- a) Comparative figures have been reclassified wherever necessary for the purpose of comparison.
- b) The figures in the financial statements are rounded to the nearest Dirham of United Arab Emirates.

3. **PROPERTY, PLANT AND EQUIPMENT:**

a) Property, plant and equipment have been stated at cost less accumulated depreciation up to the financial statements' date, as follows:

<u>COST</u>	<u>Factory Building</u>	<u>Plant & Equipment</u>	<u>Mobile Equipment & Passenger Cars</u>	<u>Office Furniture & Equipment</u>	<u>Land Improvements</u>	<u>Specialized & loose tools</u>	<u>Capitall work in progress</u>	<u>Total</u>
	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>
As at 1 January 2007	24,002,108	593,963,995	2,233,839	2,052,104	299,490	497,472	4,737,267	627,786,275
Additions	115,520	8,140,070	1,802,500	278,719	--	--	25,204,739	35,541,548
Disposals	--	--	(808,500)	--	--	--	--	(808,500)
Transfer	--	(506,700)	--	--	506,700	--	--	--
As at 31 December 2007	24,117,628	601,597,365	3,227,839	2,330,823	806,190	497,472	29,942,006	662,519,323
<u>ACCUMULATED DEPRECIATION</u>								
As at 1 January 2007	5,941,795	148,560,750	1,612,943	1,786,184	299,490	74,641	--	158,275,803
Additions	778,019	20,097,150	424,968	164,328	131,427	--	--	21,595,892
Disposals	--	--	(783,340)	--	--	--	--	(783,340)
Transfer	--	(8,783)	--	--	8,783	--	--	--
As at 31 December 2007	6,719,814	168,649,117	1,254,571	1,950,512	439,700	74,641		179,088,355
<u>CARRYING VALUE:</u>								
As at 31 December 2006 - Exhibit A	18,060,313	445,403,245	620,896	265,920	--	422,831	4,737,267	469,510,472
As at 31 December 2007 - Exhibit A	17,397,814	432,948,248	1,973,268	380,311	366,490	422,831	29,942,006	483,430,968

b) The Company's plant is constructed on a leased land renewable on annual basis.

c) **Recoverable amounts of assets comprising of Company's cash-generating unit:**

Based on available with management information, the recoverable amount of assets pertaining to the Company's cash-generating unit, no adjustment is required for carrying amounts of such assets as both the net selling price and the value in use are higher than the carrying amount of these assets as of the balance sheet date.

RAS AL KHAIMAH CEMENT COMPANY-P.S.C.
UNITED ARAB EMIRATES

STATEMENT OF CHANGES IN SHAREHOLDERS'
EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

EXHIBIT C

	<u>Share Capital</u> AED	<u>Reserves</u> AED	<u>Cumulative changes in fair value of investment in shares</u> AED	<u>Retained earnings</u> AED	<u>Total</u> AED
Shareholders' Equity, 31 December 2005	440,000,000	58,753,308	--	118,577,723	617,331,031
Issue of bonus shares	44,000,000	--	--	(44,000,000)	--
Board of directors remuneration paid	--	--	--	(900,000)	(900,000)
Profit for the year – Exhibit B	--	--	--	125,790,109	125,790,109
Transferred to reserves – Note 10	--	25,158,022	--	(25,158,022)	--
Difference resulting from re-measurement of investment in shares – Note 5	--	--	(66,293)	--	(66,293)
Shareholders' Equity, 31 December 2006 - Exhibit A	484,000,000	83,911,330	(66,293)	174,309,810	742,154,847
Board of directors remuneration paid	--	--	--	(1,300,000)	(1,300,000)
Dividend Paid	--	--	--	(72,600,000)	(72,600,000)
Profit for the year – Exhibit B	--	--	--	54,935,327	54,935,327
Transferred to reserves – Note 10	--	10,987,066	--	(10,987,066)	--
Difference resulting from re-measurement of investment in shares – Note 5	--	--	173,789	--	173,789
Shareholders' Equity, 31 December 2007 - Exhibit A	484,000,000	94,898,396	107,496	144,358,071	723,363,963

*THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS*