

QATAR NATIONAL CEMENT COMPANY Q.S.C.
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2011

QATAR NATIONAL CEMENT COMPANY Q.S.C.

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011**

CONTENTS	Page(s)
Independent auditors' report on review of condensed interim financial information	1
Condensed interim financial information	
Condensed interim statement of financial position	2
Condensed interim statement of income	3
Condensed interim statement of comprehensive income	4
Condensed interim statement of changes in equity	5-6
Condensed interim statement of cash flows	7
Notes to the condensed interim financial information	8-11

Independent auditors' report on review of condensed interim financial information

To
The Board of Directors
Qatar National Cement Company Q.S.C.
Doha
State of Qatar

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Qatar National Cement Company Q.S.C. (the "Company") as at 30 June 2011, the condensed interim statement of income and statements of comprehensive income, changes in equity and cash flows for the six month period then ended (together referred to as the "condensed interim financial information"). The board of directors is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard (IAS) 34 "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 "*Interim Financial Reporting*".

03 August 2011
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditors Registry Number 251

QATAR NATIONAL CEMENT COMPANY Q.S.C.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

In thousands of Qatari Riyal

		30 June 2011 (Reviewed)	31 December 2010 (Audited)
Assets	Note		
Non-current assets			
Property, plant and equipment	3	1,704,014	1,692,333
Investment properties		12,837	13,586
Investment in associates		45,208	43,437
Available - for - sale financial assets	4	<u>160,285</u>	<u>176,638</u>
Total non-current assets		<u>1,922,344</u>	<u>1,925,994</u>
Current assets			
Inventories		326,300	439,581
Accounts receivable and prepayments		143,480	142,414
Cash and bank balances		<u>23,878</u>	<u>99,805</u>
Total current assets		<u>493,658</u>	<u>681,800</u>
Total assets		<u>2,416,002</u>	<u>2,607,794</u>
Equity and liabilities			
Equity			
Share capital		491,006	446,369
Legal reserve		244,612	223,185
Other reserves		461,472	481,766
Retained earnings		<u>888,800</u>	<u>1,008,418</u>
Total equity		<u>2,085,890</u>	<u>2,159,738</u>
Non-current liabilities			
Employees' end of service benefits		9,446	8,766
Non-current portion of term loan		<u>163,867</u>	<u>163,868</u>
Total non-current liabilities		<u>173,313</u>	<u>172,634</u>
Current liabilities			
Accounts and other payables		113,101	115,196
Current portion of term loan		<u>43,698</u>	<u>160,226</u>
Total current liabilities		<u>156,799</u>	<u>275,422</u>
Total liabilities		<u>330,112</u>	<u>448,056</u>
Total equity and liabilities		<u>2,416,002</u>	<u>2,607,794</u>

This condensed interim financial information was approved by the Board of Directors and was signed on its behalf by the following on 03 August 2011:

Mr. Salem Bin Butti Al-Naimi
Chairman and Managing Director

Mr. Mohammad Ali Al Sulaity
General Manager

The attached notes 1 to 12 form an integral part of this condensed interim financial information.

QATAR NATIONAL CEMENT COMPANY Q.S.C.

CONDENSED INTERIM STATEMENT OF INCOME

For the six month period ended 30 June 2011

In thousands of Qatari Riyal

	Note	For the six month period ended 30 June 2011 (Reviewed)	For the six month period ended 30 June 2010 (Reviewed)
Revenue		521,518	586,610
Cost of sales		<u>(296,853)</u>	<u>(328,334)</u>
Gross profit		224,665	258,276
Other income	6	19,472	33,327
Selling and distribution expenses		(4,437)	(4,869)
General and administrative expenses		(23,115)	(24,030)
Share of results of associates		1,319	(361)
Finance charges		<u>(3,637)</u>	<u>(5,551)</u>
Profit for the period		<u>214,267</u>	<u>256,792</u>
Earnings per share			
Basic earnings per share (Qatari Riyal)	11	<u>4.36</u>	<u>5.23</u>

The attached notes 1 to 12 form an integral part of this condensed interim financial information.

QATAR NATIONAL CEMENT COMPANY Q.S.C.

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011**

In thousands of Qatari Riyal

	For the six month period ended 30 June 2011 (Reviewed)	For the six month period ended 30 June 2010 (Reviewed)
Profit for the period	214,267	256,792
Other comprehensive income		
Net change in associates' share of fair value reserve	1,782	(46)
Net change in fair value of available-for-sale investments	(22,076)	(6,814)
Net change in fair value of available-for-sale investments transferred to profit or loss	-	(8,207)
Total other comprehensive income for the period	(20,294)	(15,067)
Total comprehensive income for the period	193,973	241,725

The attached notes 1 to 12 form an integral part of this condensed interim financial information.

QATAR NATIONAL CEMENT COMPANY Q.S.C.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011**

In thousands of Qatari Riyal

Six month period ended
30 June 2010 (Reviewed)

	Share capital	Legal reserve	Other reserves				Retained earnings	Total equity
			Fair value reserve- available- for- sale Investments (A)	Associates' share of fair value reserve (B)	Development reserve (C)	Total (A+B+C)		
Balance as at 1 January 2010 (Audited)	446,369	220,251	34,513	3,043	406,589	444,145	812,180	1,922,945
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	256,792	256,792
Other comprehensive income								
Net change in associates' share of fair value reserve	-	-	-	(46)	-	(46)	-	(46)
Net change in fair value of available-for-sale investments	-	-	(6,814)	-	-	(6,814)	-	(6,814)
Net change in fair value of available-for-sale investments transferred to profit or loss	-	-	(8,207)	-	-	(8,207)	-	(8,207)
Total other comprehensive income	-	-	(15,021)	(46)	-	(15,067)	-	(15,067)
Total comprehensive income for the period	-	-	(15,021)	(46)	-	(15,067)	256,792	241,725
Transfer from retained earnings to legal reserve	-	2,934	-	-	-	-	(2,934)	-
Dividend paid for the year 2009	-	-	-	-	-	-	(267,821)	(267,821)
Balance as at 30 June 2010 (Reviewed)	446,369	223,185	19,492	2,997	406,589	429,078	798,217	1,896,849

The attached notes 1 to 12 form an integral part of this condensed interim financial information

QATAR NATIONAL CEMENT COMPANY Q.S.C.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011**

In thousands of Qatari Riyal

**Six month period ended
30 June 2011 (Reviewed)**

	Share capital	Legal reserve	Other reserves			Retained earnings	Total equity	
			Fair value reserve- available- for-sale Investments (A)	Associates' share of fair value reserve (B)	Development reserve (C)			Total (A+B+C)
Balance as at 1 January 2011 (Audited)	446,369	223,185	71,294	3,883	406,589	481,766	1,008,418	2,159,738
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	214,267	214,267
Other comprehensive income								
Net change in associates' share of fair value reserve	-	-	-	1,782	-	1,782	-	1,782
Net change in fair value of available-for-sale investments	-	-	(22,076)	-	-	(22,076)	-	(22,076)
Total other comprehensive income	-	-	(22,076)	1,782	-	(20,294)	-	(20,294)
Total comprehensive income for the period	-	-	(22,076)	1,782	-	(20,294)	214,267	193,973
Bonus shares issued during the period	44,637	-	-	-	-	-	(44,637)	-
Transfer from retained earnings to legal reserve	-	21,427	-	-	-	-	(21,427)	-
Dividend paid for the year 2010	-	-	-	-	-	-	(267,821)	(267,821)
Balance as at 30 June 2011 (Reviewed)	491,006	244,612	49,218	5,665	406,589	461,472	888,800	2,085,890

The attached notes 1 to 12 form an integral part of this condensed interim financial information.

QATAR NATIONAL CEMENT COMPANY Q.S.C.

**CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011**

In thousands of Qatari Riyal

	Note	For the six month period ended 30 June 2011 (Reviewed)	For the six month period ended 30 June 2010 (Reviewed)
Cash flows from operating activities			
Profit for the period		214,267	256,792
Adjustment for:			
Provision for slow moving inventories		-	475
Gain on sale of available-for-sale investments		-	(8,207)
Depreciation on property, plant and equipment and investment property		64,191	62,240
Gain on disposal of property, plant and equipment		(59)	(48)
Provision for employees' end of service benefits		860	850
Share of results of investment in associates		(1,319)	361
Operating profit before working capital changes		<u>277,940</u>	<u>312,463</u>
Change in inventories		58,331	(2,128)
Change in accounts receivable and prepayments		(1,066)	19,189
Change in accounts and other payables		(2,095)	(6,534)
Payment of employees' end of service benefits		<u>(180)</u>	<u>(180)</u>
Net cash from operating activities		<u>332,930</u>	<u>322,810</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	(20,190)	(9,709)
Proceeds from disposal of property, plant and equipment		76	148
Purchase of available-for-sale investments		(5,723)	-
Proceeds from sale of available-for-sale investments		-	19,821
Dividend received from associates		<u>1,330</u>	<u>1,330</u>
Net cash (used in) / from investing activities		<u>(24,507)</u>	<u>11,590</u>
Cash flows from financing activities			
Net movement in term loans and due to banks		(116,529)	138,377
Dividends paid		<u>(267,821)</u>	<u>(267,821)</u>
Net cash used in financing activities		<u>(384,350)</u>	<u>(129,444)</u>
Net (decrease) / increase in cash and cash equivalents		(75,927)	204,956
Cash and cash equivalents at 1 January		<u>99,805</u>	<u>(114,803)</u>
Cash and cash equivalents as at 30 June		<u>23,878</u>	<u>90,153</u>

The attached notes 1 to 12 form an integral part of this condensed interim financial information.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011**

1 STATUS AND OPERATIONS

Qatar National Cement Company Q.S.C. ("the Company") was incorporated in the State of Qatar as a Qatari Shareholding Company, under Emiri Decree No. 7 of 1965.

The Company is primarily engaged in the production and sale of cement, washed sand and lime at its plants located at Umm Bab and Mekenis in the State of Qatar.

2 STATEMENT OF COMPLIANCE

(a) Basis of preparation and accounting policies

The accompanying condensed interim financial information is prepared in accordance with International Accounting Standard (IAS) 34 – 'Interim Financial Reporting'. It does not include all of the information required for full annual financial statements, therefore should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2010. In addition, results for the six month period ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

The accounting policies adopted in the preparation of the condensed interim financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2010.

New standards and interpretations not yet adopted

The following IASB Standards interpretations issued, but are not mandatory for the period ended 30 June 2011, have not yet been adopted by the Company:

- **IFRS 9 Financial Instruments part 1: Classification and measurement**

IFRS 9 was issued to replace IAS 39. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 Financial Instruments will be applicable for annual periods beginning on or after 1 January 2013. The Company is currently in the process of evaluating the potential effect of this amendment in the presentation of the financial statements.

(b) Significant accounting judgement, estimates and assumptions

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions of future events that affect the application of accounting policies and the reported amounts and actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2010.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011**
*In thousands of Qatari Riyal***3 PROPERTY, PLANT AND EQUIPMENT**

	30 June 2011 (Reviewed)	31 December 2010 (Audited)
Cost		
Balance as at 1 January	2,678,372	2,652,556
Additions during the period / year	20,190	26,071
Transfer from inventory during the period	54,950	-
Disposals	(175)	(255)
	<u>2,753,337</u>	<u>2,678,372</u>
Depreciation		
Balance as at 1 January	986,039	862,530
Charge for the period / year	63,442	123,664
Related to disposals	(158)	(155)
	<u>1,049,323</u>	<u>986,039</u>
Net book value	<u>1,704,014</u>	<u>1,692,333</u>

During the period, the Company transferred major spare parts from inventory to plant and machinery under property, plant and equipment as these represents tactical spare parts required to be kept in stock always to ensure the continued operation of the cement and other plants.

4 AVAILABLE FOR SALE FINANCIAL ASSETS

	30 June 2011 (Reviewed)	31 December 2010 (Audited)
Balance as at 1 January	176,638	163,470
Additions during the period / year	5,723	11,495
Fair value changes during the period/ year	(22,076)	44,989
Fair value of disposals during the year	-	(31,316)
Impairment	-	(12,000)
	<u>160,285</u>	<u>176,638</u>

5 CLAIMS NOT RECOGNISED

a) The Company had entered in to an agreement with KAHRAMAA on 28 January 2010 for the consumption of electricity in its cement plants III and IV. As per this agreement the Company has to consume a minimum quantity of electricity in a given year. KAHRAMAA has submitted invoices for such unutilised quantity for the years 2009 and 2010 amounting to QR 10,994,756 and QR 10,828,313 respectively on 07 March 2011. The Management of the Company is currently in discussion with KHARAMAA in respect of non compliance of certain provisions of the agreement and is contesting the validity of the claim for unutilised quantity. The Management believes that it will get a waiver from KAHRAMAA for this claim and hence no provision has been considered as at 30 June 2011.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011**

In thousands of Qatari Riyal

5 CLAIMS NOT RECOGNISED (CONTINUED)

b) The Company entered in to an agreement with Qatar Petroleum (QP) on 07 May 2009 for the consumption of gas. As per this agreement, the Company has to consume a minimum quantity of gas every year and any such unutilised quantities can be utilised by the Company within subsequent three years period. The Company has not met the minimum consumption requirement from the effective date of agreement and is negotiating with QP to renegotiate the agreement terms with no minimum consumption clause. Accordingly the Company has not made the payment amounting to QR 68,369,071 for such unutilised quantities as per the invoices sent by QP, nor has it recognised any provision for the same as of 30 June 2011.

6 OTHER INCOME

	For the Six month period ended June 2011 (Reviewed)	For the Six month period ended June 2010 (Reviewed)
Dividend income received	8,693	9,182
Income from available-for -sale investments	-	8,207
Transportation income	3,687	8,129
Rental income	4,342	4,502
Other miscellaneous income	2,750	3,307
	<u>19,472</u>	<u>33,327</u>

7 DIVIDEND

In the Company's annual general assembly meeting held on 08 March 2011, the shareholders approved a cash dividend of 60% of the paid up capital and 10% bonus shares as distribution for the year 2010 (2009: 60% cash dividend).

8 SEGMENT REPORTING

The Company is organized into one business segment which comprises the manufacture and sale of cement, sand and other allied by products. Geographically, the Company's entire business operations are concentrated in the State of Qatar.

9 RELATED PARTIES

(a) Transactions with Government and government agencies

The Government of Qatar holds 43% of the Company's share capital through Qatar Holding Company. In the normal course of business, the Company supplies its commodities to various Government and semi Government agencies and other companies in the State of Qatar. The Company also avails various services from the Government and semi Government agencies and companies in the State of Qatar.

During the period, the Company has booked an amount of QR 6,909,051 (2010: QR 6,036,357) as refund of sand transportation cost from the Government which has been deducted from the operating cost of the washed sand.

Out of the amount booked during the period 2011, the Company has received QR 3,470,624 during the period and the remaining amount of QR 3,438,427 is included under receivables from government. Out of the amount booked during the period 2010, the Company received QR 3,454,751 in year 2010 and the remaining amount of QR 3,056,810 was received during the period ended 30 June 2011.

The rental income includes a sum of QR 2.5 million (2010: QR 2.5 million) from a ministerial office.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011**

In thousands of Qatari Riyal

9 RELATED PARTIES (CONTINUED)

(b) Compensation of key management personnel

Key management personnel comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the entity.

A sum of QR 690,000 (2010: QR 690,000) has been paid to the members of the Committees of the Board of Directors. Salaries and benefits paid to other key members of management amounted to QR 2.4 million (2010: QR 2.4 million).

10 CONTINGENT LIABILITIES COMMITMENTS

	30 June 2011 Reviewed	31 December 2010 Audited
Letters of credit	28,417	34,000
Commitment for balance of share capital in its associate	6,000	12,000

During the period, Qatar Quarries & Building Materials Co., an associate of the Company, has made a distribution by way of recognising 50% of the unpaid share capital as paid up capital. Accordingly, the Company's share of QR 6 million was recognised as paid up capital and as at 30 June 2011 the Company has a commitment for the remaining unpaid share capital of QR 6 million.

Further, the capital commitments of the Company amounted to QR 8.4 million as at 30 June 2011 (31 December 2010 QR 27 million).

11 BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding at the reporting date.

	30 June 2011 Reviewed	30 June 2010 Reviewed
Net profit attributable to equity holders of the Company (Qatari Riyal)	214,267,284	256,791,950
Adjusted weighted average number of shares outstanding during the period*	49,100,596	49,100,596
Basic earnings per share (Qatari Riyal)	4.36	5.23

* Weighted average number of outstanding shares for the comparative period was adjusted by the bonus shares issued during the period.

12 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. Those reclassifications do not effect previously reported profit or equity.