

**ARKAN BUILDING MATERIALS
COMPANY (ARKAN) PJSC**

**Reports and condensed consolidated
interim financial statements
for the six-month period
ended 30 June 2019**

ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC

Reports and condensed consolidated financial statements for the six-month period ended 30 June 2019

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**Board of Directors' report to the shareholders
for the six-month period ended 30 June 2019****Board of Directors' Report to Shareholders**

On behalf of Arkan Building Materials Company's (Arkan) PJSC Board of Directors ("Arkan or the "Company"), I am pleased to present the Board of Directors' report for the six months ending 30 June 2019, together with the reviewed condensed consolidated financial statements for the same period.

Arkan's revenue in the first half ("H1") of 2019 was AED 458.88 million, compared to AED 503.78 million in H1 2018 as a result of the escalating competition and pressure on selling prices while the Company's profit for the first half reached AED 33.78 million compared to AED 15.25 million in H1 2018. The adverse impact on the volume and prices was compensated by cost saving initiatives, an income recognized from the sale of scrap assets of the old cement factory and the proceeds from an insurance claim in the Cement Division.

Review of Operations*Cement Operations:*

Revenue from Arkan's Cement segment was AED 282.74 million in H1 2019, compared to AED 312.85 million in the first half of 2018. Profit from this segment in H1 2019 increased to AED 45.70 million as compared to AED 17.16 million in H1 2018.

Concrete Blocks and Dry Mortar:

Revenue from Arkan's Blocks segment reached AED 112.19 million in H1 2019, compared to AED 104.11 million in H1 2018. The segment increased its sales volume by market and product range expansion. Profit from this segment in H1 2019 was AED 5.98 million as compared to a profit of AED 7.01 million in H1 2018. The decline in profit is due mainly to the land lease tariff increase.

GRP Pipes:

Revenue from Arkan's GRP Pipes segment reached AED 20.88 million in H1 2019, compared to AED 36.36 million in H1 2018. Profit from this segment amounted to AED 0.29 million in H1 2019 compared to AED 7.36 million during H1 2018. Net profit is lower than last year due to significant delays incurred in export sales coupled with seasonal fluctuation of market demand.

PVC Pipes:

Arkan's PVC Pipes segment sales revenue was AED 35.29 million in H1 2019, compared to AED 39.62 million in H1 2018. Profit from this segment amounted to AED 1.55 million at the end of H1 2019 compared to AED 2.48 million in H1 2018 due to lower sales volume and intense competition leading to lower selling prices.

Bags:

Arkan's Bags segment sales revenue was AED 7.77 million in H1 2019, compared to AED 10.85 million in H1 2018. Loss from this segment amounted to AED 0.61 million in H1 2019, compared to a profit of AED 0.91 million in H1 2018 as a result of a significant drop in export sales volumes to Sudan and Yemen.

**Board of Directors' report to the shareholders
for the six-month period ended 30 June 2019 (continued)**

Liquidity

The Company's cash and cash equivalents were AED 38.33 million as of 30 June 2019.

Total Assets & Shareholders' Equity

The total assets of the Company equaled AED 3.475 billion at the end of H1 2019. The value of shareholders' equity decreased to AED 1,784 billion as of 30 June 2019 compared to AED 1,793 billion as of 31 December 2018. The company paid dividend of AED 43.75 million representing 2.5% of the issued share capital to the existing shareholder as at 18th April 2019.

Investments

The share of profit from associates for H1 of 2019 was AED 0.12 million compared to AED 1.40 million in the same period last year. The Company received a cash dividend of AED 7.20 million from this investment during the period.

On behalf of the Board of Directors:



Jamal Salem Al Dhaheri
Chairman

04 AUG 2019

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Arkan Building Materials Company (ARKAN) PJSC
Abu Dhabi
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Arkan Building Materials Company (ARKAN) PJSC (the "Company") and its subsidiaries (together with the Company, the "Group") as of 30 June 2019 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management of the Group is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting (IAS 34)". Our responsibility is to express a conclusion on this condensed consolidated 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 condensed consolidated 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 consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte & Touche (M.E.)



Obada Alkowitz
Registration No. 1056

04 AUG 2019
Abu Dhabi
United Arab Emirates

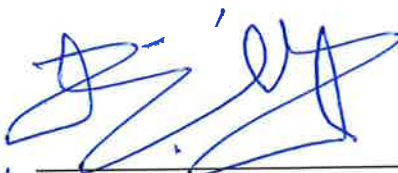
**Condensed consolidated statement of financial position
as at 30 June 2019**

	Notes	30 June 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,945,718	1,975,243
Goodwill		128,430	128,430
Other intangible assets		98,006	102,237
Right-of-use assets	2	179,196	-
Investment in associates	6	185,287	192,365
		<hr/>	<hr/>
Total non-current assets		2,536,637	2,398,275
Current assets			
Inventories	7	380,203	387,339
Trade and other receivables	8	518,944	493,250
Due from related parties	10	605	819
Cash and cash equivalents	9	38,331	53,645
		<hr/>	<hr/>
Total current assets		938,083	935,053
		<hr/>	<hr/>
Total assets		3,474,720	3,333,328
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		1,750,000	1,750,000
Statutory reserve		80,848	80,848
Capital reserve		3,783	3,783
Other reserves		(4,029)	(4,029)
Accumulated losses		(47,098)	(37,127)
		<hr/>	<hr/>
Total net equity		1,783,504	1,793,475
		<hr/>	<hr/>

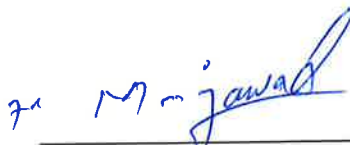
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated statement of financial position
as at 30 June 2019 (continued)**

	Notes	30 June 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Non-current liabilities			
Lease liabilities	2	173,471	-
Borrowings	11	5,344	6,167
Loan from a related party	10	-	18,368
Provision for employees' end of service benefit		39,597	37,967
Total non-current liabilities		218,412	62,502
Current liabilities			
Borrowings	11	880,444	842,107
Trade and other payables	12	546,935	597,733
Due to a related party	10	545	805
Loan from a related party	10	36,730	36,706
Lease liabilities	2	8,150	-
Total current liabilities		1,472,804	1,477,351
Total liabilities		1,691,216	1,539,853
Total equity and liabilities		3,474,720	3,333,328


Jamal Salem Al Dhaheri
 Chairman


Abdellatif Sfaxi
 Chief Executive Officer


Faizal Amod
 Chief Financial Officer

**Condensed consolidated statement of profit or loss
for the six-month period ended 30 June 2019**

	Notes	3 months ended 30 June		6 months ended 30 June	
		2019 AED'000 (unaudited)	2018 AED'000 (unaudited)	2019 AED'000 (unaudited)	2018 AED'000 (unaudited)
Revenue		223,887	235,959	458,877	503,780
Direct costs		(177,288)	(189,911)	(365,820)	(407,121)
Gross profit		46,599	46,048	93,057	96,659
Selling and distribution expenses		(8,280)	(8,087)	(15,893)	(15,449)
General and administrative expenses		(20,354)	(20,781)	(39,988)	(42,140)
Other income	15	18,358	-	25,326	319
Share of (loss)/profit from associates	6	(540)	(553)	122	1,407
Finance costs		(14,223)	(13,087)	(28,854)	(25,565)
Finance income		6	6	9	15
Profit for the period		21,566	3,546	33,779	15,246
Basic and diluted earnings per share	16	0.012	0.002	0.019	0.009

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated statement of profit or loss and other comprehensive income
for the six-month period ended 30 June 2019**

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	2019 AED'000 (unaudited)	2018 AED'000 (unaudited)	2019 AED'000 (unaudited)	2018 AED'000 (unaudited)
Profit for the period	21,566	3,546	33,779	15,246
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	21,566	3,546	33,779	15,246

ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC

**Condensed consolidated statement of changes in equity
for the six-month period ended 30 June 2019**

	Share capital AED'000	Statutory reserve AED'000	Capital reserve AED'000	Retained earnings/ accumulated (losses) AED'000	Other reserves AED'000	Total equity AED'000
As at 1 January 2018 (audited)	1,750,000	75,502	3,783	(34,957)	(20,458)	1,773,870
Impact of application of IFRS 9 and IFRS 15	-	-	-	(41,605)	-	(41,605)
As at 1 January 2018 – as restated	1,750,000	75,502	3,783	(76,562)	(20,458)	1,732,265
Total comprehensive income for the period	-	-	-	15,246	-	15,246
As at 30 June 2018 (unaudited)	1,750,000	75,502	3,783	(61,316)	(20,458)	1,747,511
As at 1 January 2019 (audited)	1,750,000	80,848	3,783	(37,127)	(4,029)	1,793,475
Dividend paid	-	-	-	(43,750)	-	(43,750)
Total comprehensive income for the period	-	-	-	33,779	-	33,779
As at 30 June 2019 (unaudited)	1,750,000	80,848	3,783	(47,098)	(4,029)	1,783,504

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated statement of cash flows
for the six-month period ended 30 June 2019**

	Notes	6 months ended 30 June	
		2019 AED'000 (unaudited)	2018 AED'000 (unaudited)
Cash flows from operating activities			
Profit for the period		33,779	15,246
Adjustments for:			
Depreciation of property, plant and equipment	5	36,218	37,520
Amortisation of other intangible assets		4,231	4,231
Amortisation of right-of-use assets		4,765	-
Gain on disposal of property, plant and equipment		(16)	-
Impairment charge on trade receivables	8	2,040	6,327
Allowance for impairment of inventories	7	358	521
Provision for employees' end of service benefit		2,803	1,679
Share of profit from associates	6	(122)	(1,407)
Finance costs		28,854	25,565
Finance income		(9)	(15)
Operating cash flows before movements in working capital		112,901	89,667
Movements in working capital:			
Decrease/(increase) in inventories		6,778	(18,364)
Increase in trade and other receivables		(15,563)	(59,570)
Increase in prepayments		(12,171)	(1,012)
Decrease/(increase) in due from related parties		214	(258)
(Decrease)/increase in trade and other payables		(46,771)	41,557
(Decrease)/increase in due to a related party		(260)	364
Cash generated from operations		45,128	52,384
End of service benefits paid		(1,173)	(557)
Net cash from operating activities		43,955	51,827
Cash flows from investing activities			
Payments for property, plant and equipment	5	(6,693)	(9,359)
Proceed from sale of property, plant and equipment		16	-
Dividends received from associates	6	7,200	3,200
Interest received		9	15
Net cash from/(used in) investing activities		532	(6,144)
Cash flows from financing activities			
Proceeds from borrowings	11	214,731	-
Repayment of borrowings	11	(177,217)	(67,422)
Finance costs paid	11	(24,014)	(22,877)
Dividend paid		(43,750)	-
Principal repayment of lease liability		(6,367)	-
Interest paid on lease liabilities	11	(4,840)	-
Repayment of loan from a related party		(18,344)	(18,369)
Net cash used in financing activities		(59,801)	(108,668)
Net decrease in cash and cash equivalents		(15,314)	(62,985)
Cash and cash equivalents at the beginning of the period		53,645	67,076
Cash and cash equivalents at the end of the period	9	38,331	4,091

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019**

1 General information

Arkan Building Materials Company (ARKAN) PJSC (“Arkan” or the “Company”) was incorporated in Abu Dhabi, United Arab Emirates (“UAE”) as a Public Joint Stock Company pursuant to Ministerial Resolution No. 228 for the year 2006. General Holding Corporation PJSC (SENAAT) (the “Parent Company”) owns 51% of the Company’s shares.

The principal activities of the Company include operating, trading and investing in industrial projects and commercial companies involved in the building materials sector.

These condensed consolidated interim financial statements include the performance and financial position as at and for the six-month period ended 30 June 2019 of the Company and its subsidiaries (collectively referred to as the “Group”).

The principal activity, country of incorporation and operation, and ownership interest of the Company in the subsidiaries is set out below:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Proportion of ownership interest and voting held by the Company</u>		<u>Principal activity</u>
		<u>30 June 2019</u>	<u>31 December 2018</u>	
Emirates Blocks Factory	UAE	100%	100%	Production and sale of cement blocks.
Emirates Cement Factory	UAE	100%	100%	Production and sale of packed and bulk cement.
Al Ain Cement Factory	UAE	100%	100%	Production and sale of packed and bulk cement.
Anabeeb Pipes Manufacturing Factories	UAE	100%	100%	Production and sale of pipes, manufacturing pipes, plastic and paper bags.

**Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)**

2 Application of new and revised International Financial Reporting Standards (IFRS)

The accounting policies used in the preparation of this condensed interim financial information are consistent with those used in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period as set out below.

2.1 New and amended standards adopted by the Group

The Group adopted IFRS 16 ‘Leases’ the standard replaces the existing guidance on leases, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Group’s financial position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 “Leases” into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application. IFRS 16 transition disclosures also require the Group to present the reconciliation. The off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to the recognized lease liabilities as of 1 January 2019.

	AED’ 000
Operating lease commitments as of 31 December 2018	344,520
Discounted using the lessee’s incremental borrowing rate at the date of initial application	192,185
Less short term leases recognised on a straight line basis as expense	(4,197)
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Lease liability recognised as at 1 January 2019	187,988
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Of which are:	
Current lease liabilities	20,790
Non-current lease liabilities	167,198
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	187,988
	<hr/>

The right-of-use assets was measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

**Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.1 New and amended standards adopted by the Group (continued)

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 AED'000	1 January 2019 AED'000
Land and building	174,100	177,445
Plant and equipment	1,726	2,453
Vehicles	3,370	4,063
	<hr/>	<hr/>
Total right-of-use assets	179,196	183,961
	<hr/> <hr/>	<hr/> <hr/>

Addition during the first half year for right-of-use assets was AED 92 thousand.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by AED 183,961 thousand
- lease liabilities – increase by AED 187,988 thousand

There was no impact on retained earnings on 1 January 2019.

Impact on segment disclosures:

Segment assets and segment liabilities for June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy:

Segment	Segment assets AED'000	Segment liabilities AED'000
Cement	148,072	148,867
Blocks	30,130	31,747
GRP Pipes	994	1,007
	<hr/>	<hr/>
Total	179,196	181,621
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)****2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)****2.1 New and amended standards adopted by the Group (continued)**The Group's leasing activities and how these are accounted for:

The Group leases various land, equipment and cars. Land rental are for longer period whereas machinery and equipment, and vehicles are typically made for fixed periods of 3 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured based on the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost of the initial measurement of lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Practical expedient

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

**Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.1 New and amended standards adopted by the Group (continued)

Practical expedient (continued)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

2.2 Revised standards

Effective for annual periods beginning on or after 1 January 2019

Amendments to IFRS 9 Prepayment Features with Negative Compensation and Modification of financial liabilities.

Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures.

Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

IFRIC 23 Uncertainty over Income Tax Treatments

2.3 New and revised standards and interpretations but not yet effective

Effective for annual periods beginning after 1 January 2020

Amendments regarding the definition of material

Amendments to clarify the definition of a business

IFRS 17 *Insurance Contracts*

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the *Conceptual Framework*.

**Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)****3 Summary of significant accounting policies****Statement of compliance**

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34, “*Interim Financial Reporting*” and also comply with the applicable requirements of the laws in the U.A.E. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2018. In addition, results for six-month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

Basis of preparation

These condensed consolidated financial statements are presented in UAE Dirhams (AED) which is the functional currency of the Group and all values are rounded to the nearest thousand (AED’000) except when otherwise indicated.

These condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies, significant judgments, estimates and assumptions applied by the Group in these condensed consolidated interim financial statements are consistent with those in the audited annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective 1 January 2019.

4 Critical judgements and key sources of estimation uncertainty**Changes in judgements and estimation uncertainty**

The critical judgements and estimates used in the preparation of these condensed interim financial information are consistent with those used in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018 except for the changes highlighted below:

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Discounting of lease payments

The lease payments are discounted using the Group’s incremental borrowing rate (“IBR”). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

**Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)**

5 Property, plant and equipment

During the six-month period ended 30 June 2019, the Group acquired assets with a cost of AED 6,693 thousand (30 June 2018: AED 9,359 thousand). Cement factory has been pledged against a loan received from a bank for the construction of the factory.

Depreciation charge for the period amounted to AED 36,218 thousand (30 June 2018: AED 37,520 thousand).

6 Investment in associates

The movement in investment in associates is as follows:

	30 June 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Balance at the beginning of the period/year	192,365	209,036
Impact of change in accounting policy due to application of IFRS 9	-	(8,678)
Share of profit/(loss) of associates for the period/year	122	(4,793)
Dividends received during the period/year	(7,200)	(3,200)
	<hr/>	<hr/>
Balance at the end of the period/year	185,287	192,365
	<hr/> <hr/>	<hr/> <hr/>

7 Inventories

	30 June 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Raw materials	137,385	140,644
Work in progress	118,303	113,875
Finished goods	52,536	52,115
Goods in transit	58	58
Spare parts and consumable materials	128,038	136,406
	<hr/>	<hr/>
	436,320	443,098
Less allowance for impairment of inventories	(56,117)	(55,759)
	<hr/>	<hr/>
	380,203	387,339
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)

7 Inventories (continued)

The movement in the allowance for impairment of inventories is as follows:

	30 June 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Balance at the beginning of the period/year	55,759	57,209
Reversal for the period/year	-	(1,450)
Charge for the period/year	358	-
	<hr/>	<hr/>
Balance at the end of the period/year	56,117	55,759
	<hr/> <hr/>	<hr/> <hr/>

8 Trade and other receivables

	30 June 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Trade receivables	565,428	552,778
Less loss allowance	(86,529)	(84,489)
	<hr/>	<hr/>
	478,899	468,289
Prepayments	32,615	20,444
Advances to suppliers	6,175	3,292
Other receivables	1,255	1,225
	<hr/>	<hr/>
	518,944	493,250
	<hr/> <hr/>	<hr/> <hr/>

The movement in the allowance for impairment is as follows:

	30 June 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Balance as at 1 January	84,489	71,687
Net remeasurement of loss allowance	2,040	12,802
	<hr/>	<hr/>
Balance at the end of the period/year	86,529	84,489
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)

9 Cash and cash equivalents

	30 June 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Cash in hand	134	100
Cash at banks in current accounts	38,197	53,545
	<u>38,331</u>	<u>53,645</u>

10 Related parties

In the ordinary course of business, the Group enters into transactions at agreed terms and conditions which are carried out on commercially agreed terms, with other business enterprises or individuals that fall within the definition of a related party contained in International Accounting Standard 24. Related parties comprise shareholders, directors, key management staff and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

Related party balances are as follows:

	30 June 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Amounts due from related parties		
Emirates Steel Industries PJSC – sister concern	572	786
Others	33	33
	<u>605</u>	<u>819</u>
Amounts due to a related party		
General Holding Corporation PJSC (SENAAT)	545	805
	<u>545</u>	<u>805</u>
Loan from a related party – the Parent Company		
<i>Non-Current</i>	-	18,368
<i>Current</i>	36,730	36,706
	<u>36,730</u>	<u>55,074</u>

Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)

10 Related parties (continued)

	30 June 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Loan from a related party – under common control		
<i>Non-Current (note 11)</i>	5,344	7,811
<i>Current (note 11)</i>	242,154	264,132
	<u>247,498</u>	<u>271,943</u>

Significant transactions with related parties during the period are as follows:

	<u>Six-month period ended 30 June</u>	
	2019 AED'000 (unaudited)	2018 AED'000 (unaudited)
Interest on loan from the Parent Company	1,324	1,878
Repayment of loan from the Parent Company	18,369	18,369
Sales to a related party – Emirates Steel Industries PJSC, sister concern	1,506	1,758
<u>Key management compensation</u>		
- Short term benefits	4,197	4,142
- Post-employment benefits	338	264
	<u>4,535</u>	<u>4,406</u>

**Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)**
11 Borrowings

Bank borrowings are repayable as follows:

	30 Jun 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
<i>Non-current</i>		
After one year	5,344	6,167
<i>Current</i>		
Within one year	880,444	842,107

The details of the bank borrowings are stated as follows:

	Maturity	Outstanding at 30 June 2019			Outstanding at 31 December 2018		
		Current AED'000	Non- current AED'000	Total AED'000	Current AED'000	Non- current AED'000	Total AED'000
Term loan 1	2024	733,800	-	733,800	800,400	-	800,400
Term loan 2	2023	1,644	5,344	6,988	1,644	6,167	7,811
Short term loan 1	2019	60,000	-	60,000	15,000	-	15,000
Short term loan 2	2019	65,000	-	65,000	10,063	-	10,063
Short term loan 3	2019	20,000	-	20,000	15,000	-	15,000
		880,444	5,344	885,788	842,107	6,167	848,274
		880,444	5,344	885,788	842,107	6,167	848,274

Term loan 1 is a 10-year term loan of AED 1,200 million obtained in 2014 by the Group to finance the construction of the Group's new cement factory. The term loan is payable over 9 years semi-annually commencing from March 2016. The loan carries variable interest at EIBOR plus a margin. As of 30 June 2019, the Group was in noncompliance of Term loan 1 of one of the covenants, which constituted an event of default as defined in the term facility agreement and the lenders may, by notice to the Group, cancel the total commitments, declare that all or part of utilisations and accrued interest be immediately due and payable or payable on demand and enforce all or part of the security provided for the loan. Accordingly, entire outstanding amount on Term loan 1 is classified as current in the consolidated statement of financial position. The lenders did not request accelerated repayment of the facility as of the signing date.

Term loan 2 of AED 14.8 million was obtained from a commercial bank for financing the cost of the new office of the Group. The loan is repayable in 36 equal quarterly installments from November 2014 and carries variable rate of interest.

Short term loan 1 of AED 60 million was obtained from an Islamic bank for financing the working capital of the Group. The loan is repayable in 180 days and carries variable rate of interest.

**Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)**

11 Borrowings (continued)

Short term loan 2 of AED 65 million was obtained from an Islamic bank for financing the working capital of the Group. The loan is repayable in 180 days and carries variable rate of interest.

Short term loan 3 of AED 20 million was obtained from a commercial bank for financing the working capital of the Group. The loan is repayable in 90 days carries variable rate of interest.

Changes from financing cash flows related to borrowings

	30 June 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Balance at the beginning of the period/year	848,274	953,055
Settlement of term loans	(67,423)	(134,844)
Settlement of short term loans	(109,794)	(74,999)
Proceeds from short term loans	214,731	105,062
Interest paid	(24,014)	(52,630)
	<hr/>	<hr/>
Total changes from financing cash flows	13,500	(157,411)
	<hr/>	<hr/>
Other changes / liability related		
Interest expense	28,854	52,630
Changes in accruals	(4,840)	-
	<hr/>	<hr/>
Total liability related to other changes	24,014	52,630
	<hr/>	<hr/>
Balance at the end of the period/year	885,788	848,274
	<hr/>	<hr/>

12 Trade and other payables

	30 June 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Trade payables	452,683	498,307
Accruals	59,601	66,039
VAT payable	2,120	2,077
Interest payable	2,583	2,073
Other payables	29,948	29,237
	<hr/>	<hr/>
	546,935	597,733
	<hr/>	<hr/>

**Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)**

13 Contingencies and commitments

	30 June 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Letters of credit	16,707	34,542
Bank guarantees	268	364
Capital commitments	4,640	4,640
Financial guarantees provided to associates	94,739	94,739

The above bank guarantees and letters of credit were issued in the normal course of business.

14 Segment reporting

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Board of Directors reviews internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

- Cement segment, which includes production and sale of cement;
- Blocks segment, which includes production and distribution of blocks;
- Pipes segment, which includes the production and sale of Poly-Vinyl Chloride ("PVC") Pipes and Glass Reinforced Polyester ("GRP") Pipes; and
- Bags segment, which includes production and sale of paper bags.

Information regarding the results of each reportable segment is included below. Performance is measured on segment profit as included in the internal management reports that are reviewed by the Group's CEO and Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)

14 Segment reporting (continued)

For the period ended 30 June 2018 (unaudited):

	Cement AED'000	Blocks AED'000	GRP pipes AED'000	PVC pipes AED'000	Bags AED'000	Unallocated AED'000	Eliminations AED'000	Company AED'000
External revenues	312,847	104,111	36,356	39,617	10,849	-	-	503,780
Intersegment revenue	16,192	-	-	-	5,244	-	(21,436)	-
Revenue from external customers	312,847	104,111	36,356	39,617	10,849	-	-	503,780
Finance cost	25,345	-	-	-	-	220	-	25,565
Depreciation and amortisation	28,093	6,678	2,770	962	111	3,137	-	41,751
Share of profit of associates	-	-	-	-	-	1,407	-	1,407
Profit/(loss) for the period	17,164	7,010	7,363	2,479	911	(19,681)	-	15,246

Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)

14 Segment reporting (continued)

As at 31 December 2018 (audited):

	Cement AED'000	Blocks AED'000	GRP pipes AED'000	PVC pipes AED'000	Bags AED'000	Unallocated AED'000	Eliminations AED'000	Company AED'000
Total assets	3,819,434	404,684	90,341	155,397	45,811	1,442,786	(2,625,125)	3,333,328
Total liabilities	1,280,615	228,498	17,391	29,706	72,638	2,489,218	(2,578,213)	1,539,853

**Notes to the condensed consolidated interim financial statements
for the six-month period ended 30 June 2019 (continued)**

15 Other income

	6 months ended 30 June	
	2019 AED'000 (unaudited)	2018 AED'000 (unaudited)
Gain from insurance proceeds	18,345	-
Proceeds from sale of scrap	6,968	-
Other	13	319
	<u>25,326</u>	<u>319</u>

On 19 March 2014, the premises of the Emirates Cement Factory were seriously damaged by the fire. During the period, the insurance claim has been finalized and the Group received proceeds of AED 18,345 thousand.

16 Basic and diluted earnings per share

The following reflects the profit and shares data used in computations of earnings per share:

	3 months ended 30 June		6 months ended 30 June	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Profit for the period (AED'000)	21,566	3,546	33,779	15,246
Weighted average number of shares in issue (thousands of shares)	1,750,000	1,750,000	1,750,000	1,750,000
Earnings per share (AED)	0.012	0.002	0.019	0.009

There were no potentially dilutive securities as at 30 June 2019 and 2018, and accordingly, diluted earnings per share are the same as basic earnings per share.

17 Seasonality of results

No significant income of a seasonal nature was recorded in the condensed consolidated statement of profit or loss for the six-month period ended 30 June 2019 and 2018.

18 Approval of condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved by management and authorised for issue on 04 AUG 2019.