

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

**Reports and condensed consolidated  
interim financial statements  
for the six-month period  
ended 30 June 2020**

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

## **Reports and condensed consolidated financial statements for the six-month period ended 30 June 2020**

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## Board of Directors' report to the shareholders for the six-month period ended 30 June 2020

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 2020, together with the reviewed condensed consolidated financial statements for the same period of 2020.

Net profit recorded for the period was AED 2.12 million compared to AED 8.47 million in H1 2019, before one off gains of AED 25.30 million from the sale of scrap assets at the Emirates Cement Factory and proceeds from an insurance claim in the Cement Division. Overall group revenue was AED 387.42 million compared to AED 458.87 million in H1 2019 primarily due to the economic repercussions of the COVID-19 pandemic resulted in Arkan's Cement and Dry Mortar segments being unable to achieve its full sales potential despite orders in hand due to the factors such as road closures, restricted delivery timings due to disinfection, Ramadan working hours and closure of Industrial Zones. Revenues from Arkan's GRP Pipes segment doubled to AED 43.33 million, versus H1 2019, due to significant market share gains. This has again shown the value of a broader diversified business. The adverse impact on revenue was partly compensated by cost saving initiatives, and lower electricity cost under 'Electricity Tariff Incentive Programme', which recognizes the economic contribution towards the Emirate of Abu Dhabi and supports the growth of the industrial sector.

### Review of Operations

#### *Cement Operations:*

Revenue from Arkan's Cement segment was AED 196.51 million for the first six months of 2020, compared to AED 282.74 million for the same period of 2019. Profit from this segment for the first six months of 2020 was AED 7.91 million as compared to AED 45.69 million for the same period of 2019. During 2019 there was a non-recurring other income of proceeds from insurance claim and the sale of scrap assets of the old cement factory amounting to AED 25.30 million.

#### *Concrete Blocks and Dry Mortar:*

Revenue from Arkan's Blocks segment was AED 98.41 million for the first six months of 2020, compared to AED 112.19 million for the same period of 2019. Profit from this segment for the first six months of 2020 was AED 2.01 million as compared to a profit of AED 5.98 million for the same period of 2019. In addition to COVID -19 impact on revenue, the segment had to recognized additional provision for receivable under accounting standard IFRS -9.

#### *GRP Pipes:*

Revenue from Arkan's GRP Pipes segment increased significantly to AED 43.33 million for the first six months of 2020, compared to AED 20.87 million for the same period of 2019. Profit from this segment significantly increased to AED 9.86 million in first six months of 2020 compared to AED 0.29 million for the same period of 2019 as GRP segment was successful in capturing a large portion of market share.

#### *PVC Pipes:*

Arkan's PVC Pipes segment sales revenue was AED 40.07 million for the first six months of 2020, compared to AED 35.29 million for the same period of 2019. Profit from this segment reached to AED 1.28 million for the first six months of 2020 compared to AED 1.54 million for the same period of 2019, due to lower selling prices.

#### *Bags:*

Arkan's Bags segment sales revenue was AED 9.09 million for the first six months of 2020, compared to AED 7.77 million for the same period of 2019. Profit from this segment amounted to AED 0.28 million for the first six months of 2020, compared to a loss of AED 0.60 million for the same period of 2019.

**Board of Directors' report to the shareholders  
for the six-month period ended 30 June 2020 (continued)**

**Liquidity**

The Company's cash and cash equivalents were AED 53.87 million as of 30 June 2020 (31 December 2019: AED 81.29 million).

**Total Assets & Shareholders' Equity**

The total assets of the Company equaled AED 3.419 billion at the end of 30 June 2020 (31 December 2019: AED 3.481 billion). The value of shareholders' equity was at AED 1.795 billion as of 30 June 2020 compared to AED 1.793 billion as of 31 December 2019.

**Investments**

The share of profit from associates for the first six months of 2020 was AED 1.27 million compared to profit of AED 0.12 million in the same period of 2019. The Company received a cash dividend of AED 3.4 million from this investment during the period (2019: AED 7.2 million).

**On behalf of the Board of Directors:**

**Jamal Salem Al Dhaheri**  
Chairman  
5<sup>th</sup> August 2020

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC

### *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 2020 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.)

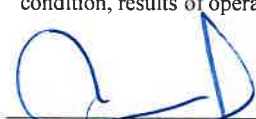


Obada Alkowitz  
Registration No. 1056  
5 August 2020  
Abu Dhabi  
United Arab Emirates

**Condensed consolidated statement of financial position  
as at 30 June 2020**

	Notes	30 June 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,890,022	1,919,298
Goodwill		128,430	128,430
Other intangible assets		89,545	93,776
Right-of-use assets	11	151,871	155,903
Investment in associates	6	186,735	188,867
<b>Total non-current assets</b>		<b>2,446,603</b>	<b>2,486,274</b>
<b>Current assets</b>			
Inventories	7	470,727	416,986
Trade and other receivables	8	446,961	495,814
Amounts due from related parties	10	1,124	1,016
Cash and cash equivalents	9	53,870	81,286
<b>Total current assets</b>		<b>972,682</b>	<b>995,102</b>
<b>Total assets</b>		<b>3,419,285</b>	<b>3,481,376</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital		1,750,000	1,750,000
Statutory reserve		85,448	85,448
Capital reserve		3,783	3,783
Other reserves		(6,596)	(6,596)
Accumulated losses		(37,341)	(39,468)
<b>Total equity</b>		<b>1,795,294</b>	<b>1,793,167</b>
<b>Non-current liabilities</b>			
Lease liabilities	11	152,137	149,992
Provision for employees' end of service benefit		46,863	44,544
Borrowings	12	3,700	4,522
<b>Total non-current liabilities</b>		<b>202,700</b>	<b>199,058</b>
<b>Current liabilities</b>			
Borrowings	12	939,306	938,844
Trade and other payables	13	439,344	508,679
Amounts due to a related party	10	2,398	561
Loan from a related party	10	36,730	36,730
Lease liabilities	11	3,513	4,337
<b>Total current liabilities</b>		<b>1,421,291</b>	<b>1,489,151</b>
<b>Total liabilities</b>		<b>1,623,991</b>	<b>1,688,209</b>
<b>Total equity and liabilities</b>		<b>3,419,285</b>	<b>3,481,376</b>

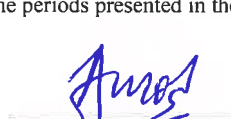
To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of 30 June 2020, and for the periods presented in the report.



\_\_\_\_\_  
Jamal Salem Al Dhaheri  
Chairman



\_\_\_\_\_  
Abdellatif Sfaxi  
Chief Executive Officer



\_\_\_\_\_  
Faizal Amoud  
Chief Financial Officer

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

**Condensed consolidated statement of profit or loss  
for the six-month period ended 30 June 2020**

	Notes	3 months ended 30 June		6 months ended 30 June	
		2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
<b>Revenue</b>		<b>179,260</b>	223,887	<b>387,426</b>	458,877
Direct costs		<b>(142,940)</b>	(177,288)	<b>(298,595)</b>	(365,820)
<b>Gross profit</b>		<b>36,320</b>	46,599	<b>88,831</b>	93,057
Selling and distribution expenses		<b>(6,646)</b>	(7,222)	<b>(13,921)</b>	(13,853)
General and administrative expenses		<b>(21,715)</b>	(20,354)	<b>(42,275)</b>	(39,988)
Other income	16	<b>2</b>	18,358	<b>523</b>	25,326
Impairment losses		<b>(4,648)</b>	(1,058)	<b>(8,287)</b>	(2,040)
Share of (loss)/profit from associates	6	<b>(106)</b>	(540)	<b>1,268</b>	122
Finance costs		<b>(11,622)</b>	(14,223)	<b>(24,026)</b>	(28,854)
Finance income		<b>9</b>	6	<b>14</b>	9
<b>(Loss)/profit for the period</b>		<b>(8,406)</b>	21,566	<b>2,127</b>	33,779
<b>Basic and diluted earnings per share</b>	17	<b>(0.005)</b>	0.012	<b>0.001</b>	0.019

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 2020**

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	<b>2019</b> AED'000 (unaudited)	2019 AED'000 (unaudited)	<b>2020</b> AED'000 (unaudited)	2019 AED'000 (unaudited)
<b>(Loss)/profit for the period</b>	<b>(8,406)</b>	21,566	<b>2,127</b>	33,779
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>(8,406)</b>	21,566	<b>2,127</b>	33,779

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



**Condensed consolidated statement of changes in equity  
for the six-month period ended 30 June 2020**

	<b>Share capital AED'000</b>	<b>Statutory reserve AED'000</b>	<b>Capital reserve AED'000</b>	<b>Accumulated losses AED'000</b>	<b>Other reserves AED'000</b>	<b>Total equity AED'000</b>
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)
Profit for the period	-	-	-	33,779	-	33,779
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2019 (unaudited)	1,750,000	80,848	3,783	(47,098)	(4,029)	1,783,504
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 1 January 2020 (audited)	1,750,000	85,448	3,783	(39,468)	(6,596)	1,793,167
Profit for the period	-	-	-	2,127	-	2,127
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 30 June 2020 (unaudited)</b>	<b>1,750,000</b>	<b>85,448</b>	<b>3,783</b>	<b>(37,341)</b>	<b>(6,596)</b>	<b>1,795,294</b>
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The accompanying notes form an integral part of these condensed consolidated interim financial statements.

## ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC

### Condensed consolidated statement of cash flows for the six-month period ended 30 June 2020

	Notes	6 months ended 30 June	
		2020 AED*000 (unaudited)	2019 AED*000 (unaudited)
<b>Cash flows from operating activities</b>			
Profit for the period		2,127	33,779
Adjustments for:			
Depreciation of property, plant and equipment	5	36,345	36,218
Amortisation of other intangible assets		4,231	4,231
Amortisation of right-of-use assets	11	4,032	4,765
Gain on disposal of property, plant and equipment		-	(16)
Impairment charge on trade receivables	8	7,987	2,040
Allowance for impairment of inventories	7	300	358
Provision for employees' end of service benefit		3,083	2,803
Share of profit from associates	6	(1,268)	(122)
Finance costs		24,026	28,854
Finance income		(14)	(9)
<b>Operating cash flows before movements in working capital</b>		<b>80,849</b>	<b>112,901</b>
Movements in working capital:			
(Increase)/decrease in inventories		(54,041)	6,778
Decrease/(increase) in trade and other receivables		40,866	(27,734)
(Increase)/decrease in due from related parties		(108)	214
Decrease in trade and other payables		(64,371)	(46,771)
Increase/(decrease) in due to a related party		1,837	(260)
<b>Cash generated from operations</b>		<b>5,032</b>	<b>45,128</b>
End of service benefits paid		(764)	(1,173)
<b>Net cash from operating activities</b>		<b>4,268</b>	<b>43,955</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	5	(7,069)	(6,693)
Proceed from sale of property, plant and equipment		-	16
Dividends received from associates	6	3,400	7,200
Interest received		14	9
<b>Net cash (used in)/from investing activities</b>		<b>(3,655)</b>	<b>532</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	12	337,062	214,731
Repayment of borrowings	12	(337,422)	(177,217)
Finance costs paid	12	(19,062)	(24,014)
Dividend paid		-	(43,750)
Principal repayment of lease liability	11	(3,643)	(6,367)
Interest paid on lease liabilities	11	(4,964)	(4,840)
Repayment of loan from a related party		-	(18,344)
<b>Net cash used in financing activities</b>		<b>(28,029)</b>	<b>(59,801)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(27,416)</b>	<b>(15,314)</b>
Cash and cash equivalents at the beginning of the period		81,286	53,645
<b>Cash and cash equivalents at the end of the period</b>	<b>9</b>	<b>53,870</b>	<b>38,331</b>

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

## ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC

### Notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2020

#### 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 2020 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:

Name of subsidiary	Country of incorporation	Proportion of ownership interest and voting held by the Company		Principal activity
		30 June 2020	31 December 2019	
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 2020 (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 2019, 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**

In the current period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2020. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current period but may affect the accounting for the Group’s future transactions or arrangements.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Definition of Material - Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Definition of a Business – Amendments to IFRS 3 <i>Business Combinations</i>	1 January 2020
Amendments to <i>References to the Conceptual Framework in IFRS Standards</i>	1 January 2020
Interest Rate Benchmark Reform – amendments to IFRS 9 <i>Financial Instruments</i> , IAS 39 <i>Financial Instruments: Recognition and Measurement</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2020
Amendment to IFRS 16 <i>Leases</i> – COVID-19-Related Rent Concessions	1 June 2020

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2020.

**2.2 New and revised IFRS in issue but not yet effective and not early adopted**

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 17 <i>Insurance Contracts</i>	1 January 2022
Classification of Liabilities as Current or Non-Current – amendments to IAS 1 <i>Presentation of Financial Statements</i>	1 January 2022
Property, Plant and Equipment – Proceeds before Intended Use – amendments to IAS 16 <i>Property, Plant and Equipment</i>	1 January 2022

**Notes to the condensed consolidated interim financial statements  
for the six-month period ended 30 June 2020 (continued)**

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

**2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)**

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

Onerous Contracts — Cost of Fulfilling a Contract – amendments to IAS  
*37 Provisions, Contingent Liabilities and Contingent Assets*

1 January 2022

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements as and when they are applicable and adoption of these new standards and amendments may have no material impact on the condensed consolidated financial statements of the Group in the period of initial application.

**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 2019. In addition, results for six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

**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 2019, except for the adoption of new standards and interpretations effective 1 January 2020.

**Going concern**

As at 30 June 2020, the Group had net current liabilities of AED 448,609 thousand primarily due to classification of the term loan facility as current, following non-compliance of a financial covenant of the facility. Management has received a conditional waiver related to the term loan facility and is currently assessing the terms. Management does not expect any changes to the original repayment terms.

**Notes to the condensed consolidated interim financial statements  
for the six-month period ended 30 June 2020 (continued)****3 Summary of significant accounting policies (continued)****Going concern (continued)**

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations including the United Arab Emirates (UAE).

The UAE Government has implemented restrictions on travelling as well as strict quarantine measures, impacting a wide range of industries, and the manufacturing industry is expected to be indirectly affected.

Business disruptions associated with the COVID-19 pandemic such as road closures and restrictions, have prevented the Company from delivering its goods on a timely basis, which resulted in lower revenue during the period. In addition, the impact of the restrictions resulted in its customers experiencing operational difficulties that led to a temporary fall in demand. Management has revised its cashflow forecast based on the assumption that the pandemic will continue until the end of the reporting period and its impact leading to lower cash flows in subsequent years.

Management has considered the unique circumstances that could have a material impact on the business operations and the risk exposures of the Group and has concluded that the main impacts on the Group's profitability/liquidity position may arise from:

- interruption of production,
- supply chain delivery disruptions,
- road closure and restrictions,
- unavailability of personnel,
- reduction in sales due to closure of projects sites,
- increase in expected credit losses from trade receivables, and
- impairment of non-financial assets (including goodwill).

Based on the analysis performed, the Group will continue to operate as a going concern and the consolidated financial statements have been prepared on a going concern basis. Management will continue to monitor the situation and, will take necessary and appropriate actions on a timely basis to respond to this unprecedented situation.

**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 2019 except significant judgments, estimates and assumptions applied by the Group relating to the impact of COVID-19. The most significant of those judgments and assumptions is that any difference between the forecasted budget as described in note 3 and actual performance will not lead to the recognition of any impairment.

**Notes to the condensed consolidated interim financial statements  
for the six-month period ended 30 June 2020 (continued)**

**5 Property, plant and equipment**

During the six-month period ended 30 June 2020, the Group acquired assets with a cost of AED 7,069 thousand (30 June 2019: AED 6,693 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 36,345 thousand (30 June 2019: AED 36,218 thousand).

**6 Investment in associates**

The movement in investment in associates is as follows:

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Balance at the beginning of the period/year	188,867	192,365
Share of profit of associates for the period/year	1,268	3,702
Dividends received during the period/year	(3,400)	(7,200)
	<hr/>	<hr/>
Balance at the end of the period/year	<b>186,735</b>	188,867
	<hr/> <hr/>	<hr/> <hr/>

**7 Inventories**

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Raw materials	117,942	115,927
Work in progress	218,150	171,208
Finished goods	50,248	45,778
Goods in transit	58	58
Spare parts and consumable materials	139,550	138,936
	<hr/>	<hr/>
	<b>525,948</b>	471,907
Less: allowance for impairment of inventories	(55,221)	(54,921)
	<hr/>	<hr/>
	<b>470,727</b>	416,986
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements  
for the six-month period ended 30 June 2020 (continued)

**7 Inventories (continued)**

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

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Balance at the beginning of the period/year	<b>54,921</b>	55,759
Reversal for the period/year	-	(1,156)
Charge for the period/year	<b>300</b>	318
	<hr/>	<hr/>
Balance at the end of the period/year	<b>55,221</b>	54,921
	<hr/> <hr/>	<hr/> <hr/>

**8 Trade and other receivables**

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Trade receivables	<b>536,537</b>	566,416
Less loss allowance	<b>(109,547)</b>	(101,560)
	<hr/>	<hr/>
Prepayments	<b>426,990</b>	464,856
Advances to suppliers	<b>18,068</b>	29,297
Other receivables	<b>1,831</b>	1,497
	<b>72</b>	164
	<hr/>	<hr/>
	<b>446,961</b>	495,814
	<hr/> <hr/>	<hr/> <hr/>

The movement in the allowance for impairment is as follows:

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Balance as at 1 January	<b>101,560</b>	84,489
Net remeasurement of loss allowance	<b>7,987</b>	17,071
	<hr/>	<hr/>
Balance at the end of the period/year	<b>109,547</b>	101,560
	<hr/> <hr/>	<hr/> <hr/>



Notes to the condensed consolidated interim financial statements  
for the six-month period ended 30 June 2020 (continued)

**9 Cash and cash equivalents**

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Cash in hand	96	98
Cash at banks in current accounts	53,774	81,188
	<hr/>	<hr/>
	<b>53,870</b>	81,286
	<hr/> <hr/>	<hr/> <hr/>

**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.

The Government of Abu Dhabi, indirectly owns 51% of the Company's outstanding shares. The Company's significant transactions with the Government of Abu Dhabi and other entities controlled, jointly controlled or significantly influenced by the Government of Abu Dhabi are a large portion of its direct cost, lease rental payments and interest payments on certain loans.

The Group also has, at 31 December 2019, loans and cash balances with banks under the common control of the Government of Abu Dhabi, lease liabilities with and payables to Government municipalities and payables to a distribution company owned by the Government of Abu Dhabi.

Balances with these related parties generally arise from commercial transactions in the normal course of business on arm's length basis. Balances with related parties reflected in the consolidated statement of financial position at the reporting date comprised:

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
<b>Amounts due from related parties</b>		
Emirates Steel Industries PJSC – sister concern	1,091	983
Others	33	33
	<hr/>	<hr/>
	<b>1,124</b>	1,016
	<hr/> <hr/>	<hr/> <hr/>
<b>Amounts due to a related party</b>		
General Holding Corporation PJSC (SENAAT)	2,398	561
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements  
for the six-month period ended 30 June 2020 (continued)

10 Related parties (continued)

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
<b>Loan from a related party – the Parent Company</b>		
General Holding Corporation PJSC (SENAAT) - <i>Current</i>	<b>36,730</b>	36,730
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>Six-month period ended 30 June</u>	
	<b>2020 AED'000 (unaudited)</b>	2019 AED'000 (unaudited)
Interest on loan from the Parent Company	<b>694</b>	1,324
	<hr/> <hr/>	<hr/> <hr/>
Repayment of loan from the Parent Company	<b>-</b>	18,369
	<hr/> <hr/>	<hr/> <hr/>
Sales to a related party – Emirates Steel Industries PJSC, sister concern	<b>1,254</b>	1,526
	<hr/> <hr/>	<hr/> <hr/>
Purchases from a related party – Emirates Steel Industries PJSC, sister concern	<b>212</b>	-
	<hr/> <hr/>	<hr/> <hr/>
<u>Key management compensation</u>		
- Short term benefits	<b>3,940</b>	4,197
- Post-employment benefits	<b>386</b>	338
	<hr/> <hr/>	<hr/> <hr/>
	<b>4,326</b>	4,535
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements  
for the six-month period ended 30 June 2020 (continued)**

**11 Leases**

The Group's obligations are secured by the lessor's title to the leased assets for such leases.

**Right-of-use assets**

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
As at 1 January	<b>155,903</b>	165,338
Additions	-	92
Disposals	-	(1,044)
Amortisation expense	<b>(4,032)</b>	(8,483)
	<hr/> <b>151,871</b> <hr/>	<hr/> 155,903 <hr/>

**Lease liabilities**

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
As at 1 January	<b>154,329</b>	169,364
Additions	-	92
Disposals	-	(1,062)
Interest expense	<b>4,964</b>	10,440
Payments	<b>(3,643)</b>	(24,505)
	<hr/> <b>155,650</b> <hr/>	<hr/> 154,329 <hr/>

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
<b><i>Current</i></b>		
Within one year	<b>152,137</b>	149,992
	<hr/> <b>3,513</b> <hr/>	<hr/> 4,337 <hr/>
<b><i>Non-current</i></b>		
After one year		

**Notes to the condensed consolidated interim financial statements  
for the six-month period ended 30 June 2020 (continued)**

**12 Borrowings**

Bank borrowings are repayable as follows:

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
<i>Non-current</i>		
After one year	<b>3,700</b>	4,522
<i>Current</i>		
Within one year	<b>939,306</b>	938,844

The details of the bank borrowings are stated as follows:

	Maturity	Outstanding at 30 June 2020			Outstanding at 31 December 2019		
		Current AED'000	Non- current AED'000	Total AED'000	Current AED'000	Non- current AED'000	Total AED'000
Term loan 1	2024	600,600	-	600,600	667,200	-	667,200
Term loan 2	2023	1,644	3,700	5,344	1,644	4,522	6,166
Short term loan 1	2020	114,999	-	114,999	90,000	-	90,000
Short term loan 2	2020	100,000	-	100,000	90,000	-	90,000
Short term loan 3	2020	83,588	-	83,588	90,000	-	90,000
Short term loan 4	2020	34,371	-	34,371	-	-	-
Short term loan 5	2020	4,104	-	4,104	-	-	-
		<b>939,306</b>	<b>3,700</b>	<b>943,006</b>	938,844	4,522	943,366

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 2020, the Group was not in compliance with one of the covenants of Term Loan 1, 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, the 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 with facility amount of AED 150 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 2020 (continued)**

**12 Borrowings (continued)**

Short term loan 2 with facility amount of AED 100 million was obtained from a commercial bank for financing the working capital of the Group. The loan is repayable in 180 days carries variable rate of interest.

Short term loan 3 of AED 150 million was obtained from Islamic bank for financing the working capital of the Company. The loan is repayable in 180 days and carries variable rate of interest.

Short term loan 4 with facility amount of AED 50 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.

Short term loan 5 with facility amount of AED 4.1 million was obtained from a commercial bank for financing the working capital of the Group. The loan is repayable in 180 days carries variable rate of interest.

**Changes from financing cash flows related to borrowings**

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Balance at the beginning of the period/year	<b>943,366</b>	848,274
Settlement of term loans	<b>(67,422)</b>	(134,845)
Settlement of short term loans	<b>(270,000)</b>	(40,063)
Proceeds from short term loans	<b>337,062</b>	270,000
Interest paid	<b>(19,062)</b>	(47,007)
Total changes from financing cash flows	<b>(19,422)</b>	48,085
<b>Other changes / liability related</b>		
Interest expense	<b>24,026</b>	57,447
Changes in accruals	<b>(4,964)</b>	(10,440)
Total liability related to other changes	<b>19,062</b>	47,007
Balance at the end of the period/year	<b>943,006</b>	943,366

**Notes to the condensed consolidated interim financial statements  
for the six-month period ended 30 June 2020 (continued)**

**13 Trade and other payables**

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Trade payables	350,754	414,329
Accruals	59,179	56,556
VAT payable	2,095	1,298
Interest payable	2,151	3,267
Other payables	25,165	33,229
	<hr/>	<hr/>
	<b>439,344</b>	508,679
	<hr/> <hr/>	<hr/> <hr/>

**14 Contingencies and commitments**

	<b>30 June 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Bank guarantees and letters of credit	35,218	8,531
	<hr/>	<hr/>
Capital commitments	10,311	13,306
	<hr/>	<hr/>
Financial guarantees provided to associates	132,568	104,568
	<hr/> <hr/>	<hr/> <hr/>

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

**Notes to the condensed consolidated interim financial statements  
for the six-month period ended 30 June 2020 (continued)****15 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;
- Poly-Vinyl Chloride ("PVC") Pipes segment, which includes the production and sale pipes;
- Glass Reinforced Polyester ("GRP") Pipes segment, which includes the production and sale 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 2020 (continued)

15 Segment reporting (continued)

For the period ended 30 June 2020 (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
Revenue from external customers	196,513	98,412	43,332	40,070	9,099	-	-	387,426
Intersegment revenue	14,797	-	-	-	3,900	-	(18,697)	-
<i>Timing of revenue recognition</i>								
At a point in time	196,513	98,412	43,332	40,070	9,099	-	-	387,426
Over time	-	-	-	-	-	-	-	-
Finance cost	23,073	828	-	-	-	125	-	24,026
Depreciation and amortization	28,240	9,234	2,879	1,047	111	3,097	-	44,608
Share of profit of associates	-	-	-	-	-	1,268	-	1,268
Profit/(loss) for the period	7,912	2,010	9,864	1,281	285	(19,225)	-	2,127
Total assets	4,468,172	418,212	105,475	162,091	39,242	1,526,885	(3,300,792)	3,419,285
Total liabilities	1,777,807	233,367	30,519	41,711	77,822	2,746,881	(3,284,115)	1,623,992



Notes to the condensed consolidated interim financial statements  
for the six-month period ended 30 June 2020 (continued)

15 Segment reporting (continued)

For the period ended 30 June 2019 (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
Revenue from external customers	282,742	112,190	20,879	35,292	7,774	-	-	458,877
Intersegment revenue	15,069	-	-	-	2,835	-	(17,904)	-
<i>Timing of revenue recognition</i>								
At a point in time	282,742	112,190	20,879	35,292	7,774	-	-	458,877
Over time	-	-	-	-	-	-	-	-
Finance cost	27,799	781	29	-	-	245	-	28,854
Depreciation and amortization	29,676	8,605	2,760	972	112	3,089	-	45,214
Share of profit of associates	-	-	-	-	-	122	-	122
Profit/(loss) for the period	45,695	5,982	290	1,549	(609)	(19,128)	-	33,779
Total assets	4,143,963	442,432	91,086	158,996	43,419	1,462,419	(2,867,595)	3,474,720
Total liabilities	1,521,371	260,299	19,406	28,071	72,105	2,609,780	(2,819,816)	1,691,216

Notes to the condensed consolidated interim financial statements  
for the six-month period ended 30 June 2020 (continued)

15 Segment reporting (continued)

As at 31 December 2019 (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	4,326,414	424,310	91,215	151,589	42,084	1,520,352	(3,074,588)	3,481,376
Total liabilities	1,654,705	240,358	19,955	30,297	74,472	2,710,832	(3,042,410)	1,688,209

Notes to the condensed consolidated interim financial statements  
for the six-month period ended 30 June 2020 (continued)

**16 Other income**

	<u>6 months ended 30 June</u>	
	<b>2020</b> AED'000 (unaudited)	2019 AED'000 (unaudited)
Proceeds from sale of scrap	477	6,968
Gain from insurance proceeds	-	18,345
Other	46	13
	<u>523</u>	<u>25,326</u>

**17 Basic and diluted earnings per share**

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

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	<b>2020</b> (unaudited)	2019 (unaudited)	<b>2019</b> (unaudited)	2019 (unaudited)
(Loss)/profit for the period (AED'000)	<b>(8,406)</b>	21,566	<b>2,127</b>	33,779
Weighted average number of shares in issue (thousands of shares)	<b>1,750,000</b>	1,750,000	<b>1,750,000</b>	1,750,000
Earnings per share (AED)	<b>(0.005)</b>	0.012	<b>0.001</b>	0.019

There were no potentially dilutive securities as at 30 June 2020 and 2019, and accordingly, diluted earnings per share are the same as basic earnings per share.

**18 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 2020 and 2019, except for the volatility arising from COVID-19 (note 3).

**Notes to the condensed consolidated interim financial statements  
for the six-month period ended 30 June 2020 (continued)****19 Events after the reporting date**

Subsequent to the period end, the restrictions implemented by the UAE government to combat the COVID-19 pandemic remain in place albeit with some easing of restrictions. The impact of these restrictions was recognised in the current reporting period. Management continues to monitor the situation closely and assess additional measures that may be required in case the period of disruption is further prolonged.

**20 Comparative information**

Impairment losses has been presented separately as a one line item in the face of the condensed consolidated statement of profit or loss to conform to the current period presentation. In the 30 June 2019 condensed consolidated interim financial statements, it was presented under selling and distribution expenses.

**21 Approval of condensed consolidated interim financial statements**

These condensed consolidated interim financial statements were approved by the Board of Directors and authorised for issue on 5 August 2020.