

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

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

ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC

Reports and condensed consolidated financial statements for the nine-month period ended 30 September 2020

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**Board of Directors' report to the shareholders
for the nine-month period ended 30 September 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 nine months ended 30 September 2020, together with the reviewed condensed consolidated financial statements for the same period of 2020.

The construction industry in the UAE has been heavily impacted by the Covid-19 pandemic in 2020 and for Arkan, this came on top of an already challenging market in prior years due to increased competition, particularly for cement-based products. Despite this, Arkan's market leadership, broader diversified business, ongoing cost cutting initiatives and the Abu Dhabi Government's support for the industrial sector have ensured the business has been able to maintain continuous trading through this period and position itself for when the pandemic is eventually over and markets recover.

Overall group revenue was AED 581.02 million compared to AED 675.50 million for the first nine months of 2019. The pandemic particularly impacted the Cement and Dry Mortar segments which faced falling volumes and a tougher pricing environment. Arkan was unable to always achieve its full sales potential despite orders in hand, due to factors such as road closures, restricted delivery timings due to disinfection and closure of Industrial Zones. Revenues from Arkan's GRP Pipes segment doubled compared to the same period of 2019, due to significant market share gains; further showing the value of a broader diversified business. The adverse impact on revenue was partly offset by continued operational cost saving initiatives.

Net loss recorded for the first nine months of 2020 was AED 5.42 million before the sale of scrap assets at the Emirates Cement Factory of AED 1.71 million. This compared to AED 7.53 million for the first nine months of 2019, before the sale of scrap assets at the Emirates Cement Factory and proceeds from an insurance claim in the Cement Division of AED 28.61 million.

Review of Operations*Cement Operations:*

Revenue from Arkan's Cement segment was AED 299.32 million for the first nine months of 2020, compared to AED 416.12 million for the same period of 2019. Profit from this segment for the first nine months of 2020 was AED 4.07 million as compared to AED 60.74 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 28.61 million.

Concrete Blocks and Dry Mortar:

Revenue from Arkan's Blocks segment was AED 145.62 million for the first nine months of 2020, compared to AED 165.74 million for the same period of 2019. Profit from this segment for the first nine months of 2020 was AED 1.99 million as compared to a profit of AED 4.62 million for the same period of 2019. In addition to COVID -19 impact on revenue, the segment had to recognise additional provision for receivables under accounting standard IFRS 9.

GRP Pipes:

Revenue from Arkan's GRP Pipes segment increased significantly to AED 63.31 million for the first nine months of 2020, compared to AED 29.16 million for the same period of 2019. Profit from this segment significantly increased to AED 15.36 million in first nine months of 2020 compared to net loss of AED 1.29 million for the same period of 2019 as GRP segment was successful in capturing market share.

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

Review of Operations (continued)

PVC Pipes:

Arkan's PVC Pipes segment sales revenue was AED 59.62 million for the first nine months of 2020, compared to AED 53.24 million for the same period of 2019. Profit from this segment reached to AED 2.93 million for the first nine months of 2020 compared to AED 2.31 million for the same period of 2019, due to higher sales volumes.

Bags:

Arkan's Bags segment sales revenue was AED 12.89 million for the first nine months of 2020, compared to AED 11.25 million for the same period of 2019. Profit from this segment amounted to AED 0.05 million for the first nine months of 2020, compared to a loss of AED 1.55 million for the same period of 2019.

Liquidity

The Company's cash and cash equivalents were AED 65.36 million as of 30 September 2020 (31 December 2019: AED 81.29 million).

Total Assets & Shareholders' Equity

The total assets of the Company equaled AED 3.387 billion at the end of 30 September 2020 (31 December 2019: AED 3.481 billion). The value of shareholders' equity was at AED 1.789 billion as of 30 September 2020 compared to AED 1.793 billion as of 31 December 2019.

Investments

The share of profit from associates for the first nine months of 2020 was AED 1.77 million compared to profit of AED 0.85 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
11 November 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 September 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 nine-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.)

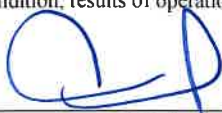


Obada Alkowitz
Registration No. 1056
11 November 2020
Abu Dhabi
United Arab Emirates

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

	Notes	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,875,096	1,919,298
Goodwill		128,430	128,430
Other intangible assets		87,430	93,776
Right-of-use assets	11	149,844	155,903
Investment in associates	6	187,241	188,867
Total non-current assets		2,428,041	2,486,274
Current assets			
Inventories	7	461,142	416,986
Trade and other receivables	8	432,066	495,814
Amounts due from related parties	10	750	1,016
Cash and cash equivalents	9	65,359	81,286
Total current assets		959,317	995,102
Total assets		3,387,358	3,481,376
EQUITY AND LIABILITIES			
Capital and reserves			
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		(43,178)	(39,468)
Total equity		1,789,457	1,793,167
Non-current liabilities			
Lease liabilities	11	144,836	149,992
Provision for employees' end of service benefit		48,010	44,544
Borrowings	12	3,289	4,522
Total non-current liabilities		196,135	199,058
Current liabilities			
Borrowings	12	966,156	938,844
Trade and other payables	13	413,791	508,679
Amounts due to a related party	10	319	561
Loan from a related party	10	18,361	36,730
Lease liabilities	11	3,139	4,337
Total current liabilities		1,401,766	1,489,151
Total liabilities		1,597,901	1,688,209
Total equity and liabilities		3,387,358	3,481,376

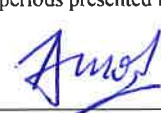
To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of 30 September 2020, and for the periods presented in the report.



Jamal Salem Al Dhaheer
Chairman



Abdulaziz Asad
Chief Executive Officer (Acting)



Faizal Amod
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 nine-month period ended 30 September 2020**

	Notes	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
		2020 AED'000 (unaudited)	2019 AED'000 (unaudited)	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Revenue		193,591	216,625	581,017	675,502
Direct costs		(163,272)	(165,769)	(461,867)	(531,589)
		<hr/>	<hr/>	<hr/>	<hr/>
Gross profit		30,319	50,856	119,150	143,913
Selling and distribution expenses		(4,956)	(5,580)	(18,877)	(19,433)
General and administrative expenses		(20,692)	(20,493)	(62,967)	(60,481)
Other income	16	1,240	3,815	1,763	29,141
Impairment losses		(2,104)	(12,820)	(10,391)	(14,860)
Share of profit of associates	6	507	723	1,774	845
Finance costs		(10,158)	(14,205)	(34,184)	(43,059)
Finance income		8	55	22	64
		<hr/>	<hr/>	<hr/>	<hr/>
(Loss)/profit for the period		(5,836)	2,351	(3,710)	36,130
		<hr/>	<hr/>	<hr/>	<hr/>
Basic and diluted earnings per share	17	(0.003)	0.001	(0.002)	0.021
		<hr/>	<hr/>	<hr/>	<hr/>

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 nine-month period ended 30 September 2020**

	3 months ended 30 September		9 months ended 30 September	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period	(5,836)	2,351	(3,710)	36,130
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	(5,836)	2,351	(3,710)	36,130

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

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

	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 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	-	-	-	36,130	-	36,130
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As at 30 September 2019 (unaudited)	1,750,000	80,848	3,783	(44,747)	(4,029)	1,785,855
	<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
Loss for the period	-	-	-	(3,710)	-	(3,710)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 September 2020 (unaudited)	1,750,000	85,448	3,783	(43,178)	(6,596)	1,789,457
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The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated statement of cash flows
for the nine-month period ended 30 September 2020**

	Notes	9 months ended 30 September	
		2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Cash flows from operating activities			
(Loss)/profit for the period		(3,710)	36,130
Adjustments for:			
Depreciation of property, plant and equipment	5	54,521	54,147
Amortisation of other intangible assets		6,346	6,346
Amortisation of right-of-use assets	11	6,059	6,920
Gain on disposal of property, plant and equipment		-	(16)
Impairment charge on trade receivables	8	9,708	14,056
Allowance for impairment of inventories, net	7	683	512
Provision for employees' end of service benefit		4,693	4,109
Share of profit of associates	6	(1,774)	(845)
Finance costs		34,184	43,059
Finance income		(22)	(64)
Operating cash flows before movements in working capital		110,688	164,354
Movements in working capital:			
Increase in inventories		(44,839)	(13,386)
Decrease/(increase) in trade and other receivables		54,040	(12,378)
Decrease/(increase) in amounts due from related parties		266	(86)
Decrease in trade and other payables		(94,888)	(91,329)
Decrease in amounts due to a related party		(242)	(260)
Cash generated from operations		25,025	46,915
End of service benefits paid		(1,227)	(2,214)
Net cash from operating activities		23,798	44,701
Cash flows from investing activities			
Payments for property, plant and equipment	5	(10,319)	(8,639)
Proceed from sale of property, plant and equipment		-	16
Dividends received from associates	6	3,400	7,200
Interest received		22	64
Net cash used in investing activities		(6,897)	(1,359)
Cash flows from financing activities			
Proceeds from borrowings	11	639,303	217,000
Proceeds from bank overdraft	11	-	11,068
Repayment of borrowings	11	(613,224)	(174,497)
Finance costs paid	11	(26,715)	(35,905)
Dividend paid		-	(43,750)
Principal repayment of lease liability	11	(6,354)	(14,195)
Interest paid on lease liability	11	(7,469)	(7,154)
Repayment of loan from a related party	10	(18,369)	(18,344)
Net cash used in financing activities		(32,828)	(65,777)
Net decrease in cash and cash equivalents		(15,927)	(22,435)
Cash and cash equivalents at the beginning of the period		81,286	53,645
Cash and cash equivalents at the end of the period	9	65,359	31,210

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

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 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 Ultimate Parent Company of Arkan is Abu Dhabi Developmental Holding Company PJSC (ADQ).

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 nine-month period ended 30 September 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:

<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 September 2020</u>	<u>31 December 2019</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 nine-month period ended 30 September 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 nine-month period ended 30 September 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)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Onerous Contracts — Cost of Fulfilling a Contract – amendments to IAS <i>37 Provisions, Contingent Liabilities and Contingent Assets</i>	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 nine-month period ended 30 September 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 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 September 2020, the Group had net current liabilities of AED 442,449 thousand primarily due to classification of the term loan facility as current, following non-compliance of a financial covenant of the facility (note 12). Management has received a conditional waiver related to the term loan facility in 2019 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 nine-month period ended 30 September 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. Management have identified and are assessing a number of potential cost cutting and debt restructuring initiatives that could be implemented if the adverse impact of COVID-19 continues for a period longer than management's forecast.

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 nine-month period ended 30 September 2020 (continued)**

5 Property, plant and equipment

During the nine-month period ended 30 September 2020, the Group acquired assets with a cost of AED 10,319 thousand (30 September 2019: AED 8,639 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 54,521 thousand (30 September 2019: AED 54,147 thousand).

6 Investment in associates

The movement in investment in associates is as follows:

	30 September 2020 AED'000 (unaudited)	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	1,774	3,702
Dividends received during the period/year	(3,400)	(7,200)
	<hr/>	<hr/>
Balance at the end of the period/year	187,241	188,867
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7 Inventories

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Raw materials	129,471	115,927
Work in progress	196,414	171,208
Finished goods	51,460	45,778
Goods in transit	58	58
Spare parts and consumable materials	139,343	138,936
	<hr/>	<hr/>
	516,746	471,907
Less: allowance for impairment of inventories	(55,604)	(54,921)
	<hr/>	<hr/>
	461,142	416,986
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Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2020 (continued)

7 Inventories (continued)

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

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Balance at the beginning of the period/year	54,921	55,759
Reversal for the period/year	-	(1,156)
Charge for the period/year	683	318
	<hr/>	<hr/>
Balance at the end of the period/year	55,604	54,921
	<hr/> <hr/>	<hr/> <hr/>

8 Trade and other receivables

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Trade receivables	514,328	566,416
Less loss allowance	(111,268)	(101,560)
	<hr/>	<hr/>
	403,060	464,856
Prepayments	26,121	29,297
Advances to suppliers	2,831	1,497
Other receivables	54	164
	<hr/>	<hr/>
	432,066	495,814
	<hr/> <hr/>	<hr/> <hr/>

The movement in the allowance for impairment is as follows:

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Balance as at 1 January	101,560	84,489
Net remeasurement of loss allowance	9,708	17,071
	<hr/>	<hr/>
Balance at the end of the period/year	111,268	101,560
	<hr/> <hr/>	<hr/> <hr/>

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

9 Cash and cash equivalents

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Cash in hand	114	98
Cash at banks in current accounts	65,245	81,188
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	65,359	81,286
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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 30 September 2020, 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:

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Amounts due from related parties		
Emirates Steel Industries PJSC – sister concern	717	983
Others	33	33
	<hr/>	<hr/>
	750	1,016
	<hr/> <hr/>	<hr/> <hr/>
Amounts due to a related party		
Emirates Steel Industries PJSC – sister concern	319	-
General Holding Corporation PJSC (SENAAT)	-	561
	<hr/>	<hr/>
	319	561
	<hr/> <hr/>	<hr/> <hr/>

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

10 Related parties (continued)

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Loan from a related party – the Parent Company		
General Holding Corporation PJSC (SENAAT) - <i>Current</i>	18,361	36,730

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

	<u>9-month period ended 30 September</u>	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Interest on loan from the Parent Company	824	1,734
Repayment of loan from the Parent Company	18,369	18,369
Sales to a related party – Emirates Steel Industries PJSC, sister concern	1,850	2,317
Purchase from a related party – Emirates Steel Industries PJSC, sister concern	319	-
<u><i>Key Management Compensation</i></u>		
- Short term benefits	5,896	6,295
- Post-employment benefits	580	507
	6,476	6,802

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 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

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
As at 1 January	155,903	165,338
Additions	-	92
Disposals	-	(1,044)
Amortisation expense	(6,059)	(8,483)
	<hr/> 149,844 <hr/>	<hr/> 155,903 <hr/>

Lease liabilities

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
As at 1 January	154,329	169,364
Additions	-	92
Disposals	-	(1,062)
Interest expense	7,469	10,440
Payments	(13,823)	(24,505)
	<hr/> 147,975 <hr/>	<hr/> 154,329 <hr/>

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
<i>Current</i>		
Within one year	3,139	4,337
<i>Non-current</i>		
After one year	144,836	149,992

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

12 Borrowings

Bank borrowings are contractually repayable as follows:

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
<i>Non-current</i>		
After one year	3,289	4,522
<i>Current</i>		
Within one year	966,156	938,844

The details of the bank borrowings are stated as follows:

	Maturity	Outstanding at 30 September 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	534,000	-	534,000	667,200	-	667,200
Term loan 2	2023	1,644	3,289	4,933	1,644	4,522	6,166
Short term loan 1	2020	150,000	-	150,000	90,000	-	90,000
Short term loan 2	2020	100,000	-	100,000	90,000	-	90,000
Short term loan 3	2020	126,935	-	126,935	90,000	-	90,000
Short term loan 4	2020	49,850	-	49,850	-	-	-
Short term loan 5	2020	3,727	-	3,727	-	-	-
		966,156	3,289	969,445	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 September 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. Management does not expect any changes to the original repayment term resulting from the failure to comply with the covenant.

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 nine-month period ended 30 September 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 25 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 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Balance at the beginning of the period/year	943,366	848,274
Settlement of term loans	(134,433)	(134,845)
Settlement of short term loans	(478,791)	(40,063)
Proceeds from short term loans	639,303	270,000
Interest paid	(26,715)	(47,007)
	<hr/>	<hr/>
Total changes from financing cash flows	(636)	48,085
	<hr/>	<hr/>
Other changes / liability related		
Interest expense	26,715	47,007
	<hr/>	<hr/>
Balance at the end of the period/year	969,445	943,366
	<hr/>	<hr/>

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

13 Trade and other payables

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Trade payables	323,364	414,329
Accruals	63,429	56,556
VAT payable	1,829	1,298
Interest payable	1,886	3,267
Other payables	23,283	33,229
	<hr/>	<hr/>
	413,791	508,679
	<hr/> <hr/>	<hr/> <hr/>

14 Contingencies and commitments

	30 September 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
Bank guarantees and letters of credit	36,265	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 nine-month period ended 30 September 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 nine-month period ended 30 September 2020 (continued)

15 Segment reporting (continued)

For the period ended 30 September 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	299,320	145,619	63,568	59,621	12,889	-	-	581,017
Intersegment revenue	21,849	-	-	-	4,890	-	(26,739)	-
<i>Timing of revenue recognition</i>								
At a point in time	299,320	145,619	63,568	59,621	12,889	-	-	581,017
Over time	-	-	-	-	-	-	-	-
Finance cost	32,742	1,238	26	-	-	178	-	34,184
Depreciation and amortisation	42,466	14,128	4,211	1,600	167	4,354	-	66,926
Share of profit of associates	-	-	-	-	-	1,774	-	1,774
Profit/(loss) for the period	4,072	1,989	15,369	2,933	49	(28,122)	-	(3,710)
Total assets	4,530,412	409,029	101,819	172,110	42,580	1,554,945	(3,423,537)	3,387,358
Total liabilities	1,836,579	224,228	27,028	54,146	82,396	2,791,093	(3,417,569)	1,597,901

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

15 Segment reporting (continued)

For the period ended 30 September 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	416,116	165,736	29,164	53,241	11,245	-	-	675,502
Intersegment revenue	22,038	-	-	-	4,012	-	(26,050)	-
<i>Timing of revenue recognition</i>								
At a point in time	416,116	165,736	29,164	53,241	11,245	-	-	675,502
Over time	-	-	-	-	-	-	-	-
Finance cost	41,259	1,171	43	-	-	586	-	43,059
Depreciation and amortization	43,979	13,077	4,110	1,444	167	4,636	-	67,413
Share of profit of associates	-	-	-	-	-	845	-	845
Profit/(loss) for the period	60,736	4,618	(1,290)	2,306	(1,547)	(28,693)	-	36,130
Total assets	4,235,664	431,703	84,111	154,732	41,145	1,473,366	(2,979,869)	3,440,852
Total liabilities	1,586,989	250,934	16,156	23,047	73,270	2,641,333	(2,936,732)	1,654,997

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

16 Other income

	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Proceeds from sale of scrap	1,236	3,299	1,713	10,267
Gain from insurance proceeds	-	-	-	18,345
Other	4	516	50	529
	<u>1,240</u>	<u>3,815</u>	<u>1,763</u>	<u>29,141</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 September</u>		<u>9 months ended 30 September</u>	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Profit for the period (AED'000)	(5,836)	2,351	(3,710)	36,130
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)	(0.003)	0.001	(0.002)	0.021

There were no potentially dilutive securities as at 30 September 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 nine-month period ended 30 September 2020 and 2019, except for the volatility arising from COVID-19 (note 3).

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

19 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 September 2019 condensed consolidated interim financial statements, it was presented under selling and distribution expenses.

20 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 11 November 2020.