ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC

Reports and condensed consolidated interim financial statements for the three-month period ended 31 March 2019

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Board of Directors' report to the shareholders
for the three-month period ended 31 March 2019

Board of Directors' Report to Shareholders

On behalf of Arkan Building Materials Company's Board of Directors, I am pleased to present the Board of Directors' report for the quarter ending 31 March 2019, together with the reviewed condensed consolidated financial statements for the same period.

Arkan's revenue in the first quarter of 2019 was AED 234.99 million, compared to AED 267.82 million in Q1 2018. The slight reduction in revenue is due to the highly competitive market environment. The Group's profit for the same period was AED 12.21 million compared to AED 11.70 million in Q1 2018. The increase in profitability is attributed to the income recognized from the sale of scrap assets of the old cement factory.

Review of Operations:

Cement Operations:

Revenue from Arkan's Cement segment was AED 142.47 million in Q1 2019, compared to AED 167.25 million in the first quarter of 2018. Profit from this segment in Q1 2019 increased to AED 17.38 million as compared to AED 8.50 million in Q1 2018. The increase in profit is due to a reduction in direct costs and to the income recognized from the sale of scrap assets as highlighted above.

Concrete Blocks and Dry Mortar:

Revenue from Arkan's Blocks segment reached AED 59.94 million in Q1 2019, compared to AED 55.46 million in Q1 2018. Profit from this segment in Q1 2019 was AED 3.08 million as compared to a profit of AED 4.76 million in the first quarter of 2018. The decline in profit resulted from recording the increased land lease tariff after reaching a lease settlement.

GRP Pipes:

Revenue from Arkan's GRP Pipes segment reached AED 11.07 million in Q1 2019, compared to AED 21.27 million in Q1 2018. Profit from this segment amounted to AED 546 thousand in Q1 2019 compared to AED 5.30 million during Q1 2018. Net profit is lower than last year due to significant decline in export sales.

PVC Pipes:

Arkan's PVC Pipes segment sales revenue was AED 17.42 million in Q1 2019, compared to AED 19.48 million in Q1 2018. Profit from this segment amounted to AED 853 thousand at the end of Q1 2019 compared to AED 1.10 million in Q1 2018, due to lower sales volumes and selling prices.

Bags:

Arkan's Bags segment sales revenue was AED 4.10 million in Q1 2019, compared to AED 4.37 million in Q1 2018. Loss from this segment amounted to AED 252 thousand at the end of 31 March 2019, compared to a profit of AED 271 thousand in Q1 2018, due to lower sales volumes resulted from high competition.

Board of Directors' report to the shareholders
for the three-month period ended 31 March 2019 (continued)

Liquidity

The Group's cash and cash equivalents were AED 68.72 million at the end of Q1 2019.

Total Assets & Shareholders' Equity

The total assets of the Group equaled AED 3.52 billion at the end of Q1 2019. The value of shareholders' equity increased to AED 1.81 billion as of 31 March 2019, compared to AED 1.79 billion as of 31 December 2018.

Investments

The share of profit from associates at the end of the first quarter of 2019 was AED 662 thousand compared to AED 1.96 million in the same period last year. The Company received cash dividends of AED 7.2 million from this investment during the period.

On behalf of the Board of Directors:

PP

Jamal Salem Al Dhaheri
Chairman
12 May 2019

Deloitte.

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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 31 March 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 three-month period then ended. Management of the Group is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard IAS 34, "*Interim Financial Reporting (IAS 34)*". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Other matter

The prior period comparative condensed consolidated financial statements for three month period ended 31 March 2018 were reviewed by another auditor who issued an unmodified conclusion dated 29 April 2018.

Deloitte & Touche (M.E.)

Obada Alkowatly
Registration No. 1056
12 May 2019
Abu Dhabi, United Arab Emirates

Condensed consolidated statement of financial position as at 31 March 2019

	Notes	31 March 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,960,272**	1,975,243
Goodwill		**128,430**	128,430
Other intangible assets		**100,121**	102,237
Right-of-use assets	2	**181,664**	-
Investment in associates	6	**185,827**	192,365
Total non-current assets		**2,556,314**	2,398,275
Current assets			
Inventories	7	**385,617**	387,339
Trade and other receivables	8	**512,649**	493,250
Due from related parties	10	**352**	819
Cash and cash equivalents	9	**68,717**	53,645
Total current assets		**967,335**	935,053
Total assets		**3,523,649**	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		**(24,914)**	(37,127)
Total net equity		**1,805,688**	1,793,475

Condensed consolidated statement of financial position as at 31 March 2019 (continued)

	Notes	31 March 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Non-current liabilities			
Lease liabilities	2	162,121	-
Borrowings	11	5,756	6,167
Loan from a related party	10	18,368	18,368
Provision for employees' end of service benefit		38,911	37,967
Total non-current liabilities		225,156	62,502
Current liabilities			
Borrowings	11	865,201	842,107
Trade and other payables	12	572,799	597,733
Due to a related party	10	183	805
Loan from a related party	10	36,706	36,706
Lease liabilities	2	17,916	-
Total current liabilities		1,492,805	1,477,351
Total liabilities		1,717,961	1,539,853
Total equity and liabilities		3,523,649	3,333,328

Jamal Salem Al Dhaheri
Chairman

Abdellatif Sfaxi
Chief Executive Officer

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 three-month period ended 31 March 2019

	Notes	Three-month period ended 31 March 2019 AED'000 (unaudited)	Three-month period ended 31 March 2018 AED'000 (unaudited)
Revenue		**234,990**	267,821
Direct costs		**(188,532)**	(217,210)
Gross profit		**46,458**	50,611
Selling and distribution expenses		**(7,613)**	(7,362)
General and administrative expenses		**(19,634)**	(21,359)
Other income		**6,968**	319
Share of profit of associates	**6**	**662**	1,960
Finance costs		**(14,631)**	(12,478)
Finance income		**3**	9
Profit for the period		**12,213**	11,700
Basic and diluted earnings per share	**15**	**0.007**	0.007

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 three-month period ended 31 March 2019

	Three-month period ended 31 March	
	2019	2018
	AED'000	AED'000
	(unaudited)	(unaudited)
Profit for the period	**12,213**	11,700
Other comprehensive income	-	-
Total comprehensive income for the period	**12,213**	11,700

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

Condensed consolidated statement of changes in equity for the three-month period ended 31 March 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	-	-	-	(41,605)	-	(41,605)
Impact of change in accounting policy of equity accounted associates due to application of IFRS 9 (Note 5)	-	-	-	(8,679)	-	(8,679)
As at 1 January 2018 – as restated	1,750,000	75,502	3,783	(85,241)	(20,458)	1,723,586
Total comprehensive income for the period	-	-	-	11,700	-	11,700
As at 31 March 2018 (unaudited)	**1,750,000**	**75,502**	**3,783**	**(73,541)**	**(20,458)**	**1,735,286**
As at 1 January 2019 (audited)	1,750,000	80,848	3,783	(37,127)	(4,029)	1,793,475
Total comprehensive income for the period	-	-	-	12,213	-	12,213
As at 31 March 2019 (unaudited)	**1,750,000**	**80,848**	**3,783**	**(24,914)**	**(4,029)**	**1,805,688**

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

Condensed consolidated statement of cash flows for the three-month period ended 31 March 2019

	Notes	Three-month period ended 31 March 2019 AED'000 (unaudited)	2018 AED'000 (unaudited)
Cash flows from operating activities			
Profit for the period		**12,213**	11,700
Adjustments for:			
Depreciation of property, plant and equipment	5	**18,502**	18,720
Amortisation of other intangible assets		**2,116**	2,116
Amortisation of right-of-use assets		**2,297**	-
Gain in disposal of property, plant and equipment		**(16)**	-
Impairment charge on trade receivables	8	**982**	1,172
Allowance for impairment of inventories, net	7	**419**	254
Provision for employees' end of service benefit		**1,064**	1,057
Share of profit from associates	6	**(662)**	(1,960)
Finance costs		**14,631**	12,478
Finance income		**(3)**	(9)
Operating cash flows before movements in working capital		**51,543**	45,528
Movements in working capital:			
Decrease in inventories		**1,303**	9,550
Increase in trade and other receivables		**(17,569)**	(47,208)
Increase in prepayments		**(2,812)**	(6,527)
Decrease in amounts due from related parties		**467**	335
(Decrease)/increase in trade and other payables		**(20,908)**	45,313
(Decrease)/increase in amounts due to a related party		**(622)**	302
Cash generated from operations		**11,402**	47,293
End of service benefits paid		**(120)**	(271)
Interest paid on lease liabilities		**(2,406)**	-
Net cash from operating activities		**8,876**	47,022
Cash flows from investing activities			
Payments for property, plant and equipment	5	**(3,531)**	(3,868)
Proceed from sale of property, plant and equipment		**16**	-
Dividends received from associates	6	**7,200**	3,200
Interest received		**3**	9
Net cash generated from/(used in) investing activities		**3,688**	(659)
Cash flows from financing activities			
Proceeds from a new loan		**129,757**	-
Repayment of borrowings		**(107,074)**	(77,011)
Finance costs paid		**(12,225)**	(11,197)
Principal repayment of lease liability		**(7,950)**	-
Net cash generated from/(used in) financing activities		**2,508**	(88,208)
Net increase/(decrease) in cash and cash equivalents		**15,072**	(41,845)
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	**68,717**	25,231

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

Notes to the condensed consolidated interim financial statements for the three-month period ended 31 March 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 three-month period ended 31 March 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:

Name of subsidiary	Country of incorporation	Proportion of ownership interest and voting held by the Company		Principal activity
		31 March 2019	31 December 2018	
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 three-month period ended 31 March 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 requires the Group to present the reconciliation. The off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to the recognized the lease liabilities as of 1 January 2019.

	AED' 000
Operating lease commitments as of December 31, 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)
Lease liability recognised as at January 1, 2019	**187,988**
Of which are:	
Current lease liabilities	20,790
Non-current lease liabilities	167,198
	187,988

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

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

Other right-of use assets were 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.

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

	31 March 2019 AED'000	1 January 2019 AED'000
Land and building	**175,794**	177,445
Plant and equipment	**2,196**	2,453
Vehicles	**3,674**	4,063
Total right-of-use assets	**181,664**	183,961

No additions during the first quarter for right-of-use assets. 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 March 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	149,883	147,438
Blocks	30,767	31,577
GRP Pipes	1,014	1,022
Total	**181,664**	**180,037**

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.

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*

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.

Notes to the condensed consolidated interim financial statements for the three-month period ended 31 March 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 three-month period ended 31 March 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 interim 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 interim 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.

5 Property, plant and equipment

During the three-month period ended 31 March 2019, the Group acquired assets with a cost of AED 3,531 thousand (31 March 2018: AED 3,868 thousand). A 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 18,502 thousand (31 March 2018: AED 18,720 thousand).

6 Investment in associates

The movement in investment in associates is as follows:

	31 March 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	**662**	(4,793)
Dividends received during the period/year	**(7,200)**	(3,200)
Balance at the end of the period/year	**185,827**	192,365

7 Inventories

	31 March 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Raw materials	**134,113**	140,644
Work in progress	**119,694**	113,875
Finished goods	**49,893**	52,115
Goods in transit	**58**	58
Spare parts and consumable materials	**138,037**	136,406
	441,795	443,098
Less allowance for impairment of inventories	**(56,178)**	(55,759)
	385,617	387,339

Notes to the condensed consolidated interim financial statements for the three-month period ended 31 March 2019 (continued)

7 Inventories (continued)

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

	31 March 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	**419**	-
Balance at the end of the period/year	**56,178**	55,759

8 Trade and other receivables

	31 March 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Trade receivables	**570,087**	552,778
Less loss allowance	**(85,471)**	(84,489)
	484,616	468,289
Prepayments	**23,256**	20,444
Advances to suppliers	**3,643**	3,292
Other receivables	**1,134**	1,225
	512,649	493,250

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished between the Group's different customer base.

Notes to the condensed consolidated interim financial statements for the three-month period ended 31 March 2019 (continued)

8 Trade and other receivables (continued)

The movement in the allowance for impairment is as follows:

	31 March 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Balance as at 1 January	**84,489**	71,687
Net remeasurement of loss allowance	**982**	12,802
Balance at the end of the period/year	**85,471**	84,489

9 Cash and cash equivalents

	31 March 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Cash in hand	**144**	100
Cash at banks in current accounts	**68,573**	53,545
	68,717	53,645

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:

	31 March 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Amounts due from related parties		
Emirates Steel Industries PJSC – sister concern	**319**	786
Others	**33**	33
	352	819

Notes to the condensed consolidated interim financial statements for the three-month period ended 31 March 2019 (continued)

10 Related parties (continued)

	31 March 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Amounts due to a related party		
General Holding Corporation PJSC (SENAAT)	**183**	805
Loan from a related party – the Parent Company		
Non-Current	**18,368**	18,368
Current	**36,706**	36,706
	55,074	55,074
Loan from a related party – the Associated Company		
Non-Current	**7,400**	7,811
Current	**242,154**	264,132
	249,554	271,943

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

	Three-month period ended 31 March	
	2019 AED'000 (unaudited)	2018 AED'000 (unaudited)
Interest on loan from the Parent Company	**676**	867
Interest on loan from the Associated Company	**3,741**	3,395
Sales to a related party – Emirates Steel Industries PJSC, sister concern	**791**	956
Key management compensation		
- Short term benefits	**2,098**	1,976
- Post-employment benefits	**371**	162
	2,469	2,138

Notes to the condensed consolidated interim financial statements for the three-month period ended 31 March 2019 (continued)

11 Borrowings

Bank borrowings are repayable as follows:

	31 March 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Non-current		
After one year	**5,756**	6,167
Current		
Within one year	**865,201**	842,107

The details of the bank borrowings are stated as follows:

		Outstanding at 31 March 2019			Outstanding at 31 December 2018		
	Maturity	**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**	**5,756**	**7,400**	1,644	6,167	7,811
Short term loan 1	**2019**	**40,000**	-	**40,000**	15,000	-	15,000
Short term loan 2	**2019**	**15,000**	-	**15,000**	10,063	-	10,063
Short term loan 3	**2019**	**74,757**	-	**74,757**	15,000	-	15,000
		865,201	**5,756**	**870,957**	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 31 March 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.

Notes to the condensed consolidated interim financial statements for the three-month period ended 31 March 2019 (continued)

11 Borrowings (continued)

Short term loan 1 of AED 40 million was obtained from Islamic bank for financing the working capital of the Group. The loan is repayable in 60 days and 180 days and carries variable rate of interest.

Short term loan 2 of AED 15 million was obtained from a commercial bank for financing the working capital of the Group. The loan is repayable in 90 days and carries variable rate of interest.

Short term loan 3 of AED 74.76 million was obtained from Islamic bank for financing the working capital of the Group. The loan is repayable in 90 days and 180 days and carries variable rate of interest.

12 Trade and other payables

	31 March 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Trade payables	**473,282**	498,307
Accruals	**64,320**	66,039
VAT payable	**2,465**	2,077
Interest payable	**2,339**	2,073
Other payables	**30,393**	29,237
	572,799	597,733

13 Contingencies and commitments

	31 March 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Letters of credit	**16,714**	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 review 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 segments, which include 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 three-month period ended 31 March 2019 (continued)

14 Segment reporting (continued)

For the period ended 31 March 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	142,467	59,938	11,068	17,415	4,102	-	-	234,990
Intersegment revenue	7,738	-	-	-	1,192	-	(8,930)	-
Timing of revenue recognition								
At a point in time	142,467	59,938	11,068	17,415	4,102	-	-	234,990
Over time	-	-	-	-	-	-	-	-
Finance cost	14,115	391	15	-	-	110	-	14,631
Depreciation and amortization	15,098	4,217	1,501	500	57	1,542	-	22,915
Share of profit of associates	-	-	-	-	-	662	-	662
Profit/(loss) for the period	17,381	3,073	546	853	(252)	(9,388)	-	12,213

14 Segment reporting (continued)

As at 31 March 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**
Total assets	**4,038,534**	**441,579**	**91,183**	**157,751**	**45,064**	**1,462,278**	**(2,712,740)**	**3,523,649**
Total liabilities	**1,460,610**	**262,356**	**16,207**	**27,295**	**72,143**	**2,539,796**	**(2,660,446)**	**1,717,961**

For the period ended 31 March 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	167,246	55,456	21,265	19,481	4,373	-	-	267,821
Intersegment revenue	7,902	-	-	-	2,562	-	(10,464)	-
Finance cost	12,369	-	-	-	-	109	-	12,478

Notes to the condensed consolidated interim financial statements for the three-month period ended 31 March 2019 (continued)

14 Segment reporting (continued)

For the period ended 31 March 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
Depreciation and amortization	14,089	3,350	1,349	441	38	1,569	-	20,836
Share of profit of associates	-	-	-	-	-	1,960	-	1,960
Profit/(loss) for the period	8,501	4,758	5,303	1,096	271	(8,229)	-	11,700

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 three-month period ended 31 March 2019 (continued)

15 Basic and diluted earnings per share

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

	Three-month period ended 31 March	
	2019 (unaudited)	2018 (unaudited)
Profit for the period (AED'000)	**12,213**	11,700
Weighted average number of shares in issue (thousands of shares)	**1,750,000**	1,750,000
Earnings per share (AED)	**0.007**	0.007

There were no potentially dilutive securities as at 31 March 2019 and 2018, and accordingly, diluted earnings per share are the same as basic earnings per share.

16 Seasonality of results

No significant income of a seasonal nature was recorded in the condensed consolidated statement of profit or loss for the three-month period ended 31 March 2019 and 2018.

17 Subsequent events

On 8 April 2019 the Board of Directors approved and declared a dividend of AED 43,750 thousand representing 2.5% of the issued share capital to the existing shareholders as at 18 April 2019 (31 March 2018: nil).

On 2 May 2019, the Group received insurance proceeds of AED 18,344 thousand as a result of business interruption relating to the fire incident at its old Emirates Cement Factory in 2014.

18 Approval of condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved by management and authorised for issue on 12 May 2019.