

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

**Reports and condensed consolidated  
interim financial statements  
for the three-month period  
ended 31 March 2020**

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

### **Reports and condensed consolidated financial statements for the three-month period ended 31 March 2020**

	<b>Pages</b>
<b>Board of Directors' report to the shareholders</b>	<b>1 – 2</b>
<b>Report on review of interim financial information</b>	<b>3</b>
<b>Condensed consolidated statement of financial position</b>	<b>4</b>
<b>Condensed consolidated statement of profit or loss</b>	<b>5</b>
<b>Condensed consolidated statement of profit or loss and other comprehensive income</b>	<b>6</b>
<b>Condensed consolidated statement of changes in equity</b>	<b>7</b>
<b>Condensed consolidated statement of cash flows</b>	<b>8</b>
<b>Notes to the condensed consolidated interim financial statements</b>	<b>9 – 26</b>

ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC

1

**Board of Directors' report to the shareholders  
for the three-month period ended 31 March 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 three months ending 31 March 2020, together with the reviewed condensed consolidated financial statements for the same period of 2020.

The Company's net profit before sale of scrap assets increased significantly to AED 10.01 compared to AED 5.25 million of same period of 2019, notwithstanding this, net profit for the first three months of 2020 reached AED 10.53 million compared to AED 12.21 million for the same period of 2019 due to lower income recognised from the sale of scrap assets of the old cement factory. Intense competition leading to downward pressure on selling prices lead Arkan's revenue from AED 234.99 million in Q1 2019 to AED 208.17 million in the same period 2020. The adverse impact on revenue was compensated by cost saving initiatives, optimized raw material mix 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 106.01 million for the first three months of 2020, compared to AED 142.47 million for the same period of 2019. Profit from this segment for the first three months of 2020 reached to AED 10.11 million as compared to AED 17.38 million for the same period of 2019 primarily due to the sale of scrap assets of the old cement factory.

*Concrete Blocks and Dry Mortar:*

Revenue from Arkan's Blocks segment reached to AED 54.48 million for the first three months of 2020, compared to AED 59.94 million for the same period of 2019. Profit from this segment for the first three months of 2020 increased to AED 3.15 million as compared to a profit of AED 3.07 million for the same period of 2019.

*GRP Pipes:*

Revenue from Arkan's GRP Pipes segment increased to AED 22.18 million for the first three months of 2020, compared to AED 11.07 million for the same period of 2019. Profit from this segment significantly increased to AED 4.66 million in first three months of 2020 compared to AED 0.54 million for the same period of 2019.

*PVC Pipes:*

Arkan's PVC Pipes segment sales revenue was AED 20.15 million for the first three months of 2020, compared to AED 17.42 million for the same period of 2019. Profit from this segment increased to AED 0.94 million for the first three months of 2020 compared to AED 0.85 million for the same period of 2019. The increase in profitability resulted from cost saving initiatives.

*Bags:*

Arkan's Bags segment sales revenue was AED 5.34 million for the first three months of 2020, compared to AED 4.10 million for the same period of 2019. Profit from this segment amounted to AED 0.04 million for the first three months of 2020, compared to a loss of AED 0.25 million for the same period of 2019.

**Board of Directors' report to the shareholders  
for the three-month period ended 31 March 2020 (continued)**

**Liquidity**

The Company's cash and cash equivalents were AED 48.59 million as of 31 March 2020 (31 December 2019: AED 81.29 million).

**Total Assets & Shareholders' Equity**

The total assets of the Company equaled AED 3.434 billion at the end of 31 March 2020 (31 December 2019: AED 3.481 billion). The value of shareholders' equity was at AED 1.804 billion as of 31 March 2020 compared to AED 1.793 billion as of 31 December 2019.

**Investments**

The share of profit from associates for the first three months of 2020 was AED 1.37 million compared to loss of AED 0.66 million for 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  
30<sup>th</sup> April 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 31 March 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 three-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.

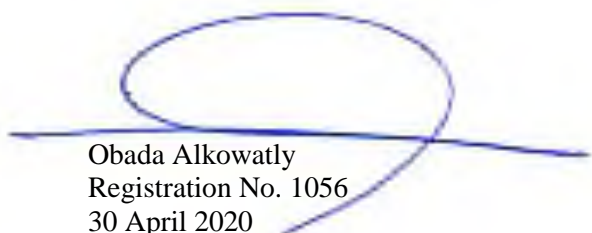
### *Scope of review*

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 Alkowitzly  
Registration No. 1056  
30 April 2020  
Abu Dhabi  
United Arab Emirates

**Condensed consolidated statement of financial position  
as at 31 March 2020**

	Notes	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,905,680	1,919,298
Goodwill		128,430	128,430
Other intangible assets		91,661	93,776
Right-of-use assets	11	153,877	155,903
Investment in associates	6	186,840	188,867
<b>Total non-current assets</b>		<b>2,466,488</b>	<b>2,486,274</b>
<b>Current assets</b>			
Inventories	7	443,790	416,986
Trade and other receivables	8	474,085	495,814
Amounts due from related parties	10	1,031	1,016
Cash and cash equivalents	9	48,588	81,286
<b>Total current assets</b>		<b>967,494</b>	<b>995,102</b>
<b>Total assets</b>		<b>3,433,982</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		(28,935)	(39,468)
<b>Total equity</b>		<b>1,803,700</b>	<b>1,793,167</b>
<b>Non-current liabilities</b>			
Lease liabilities	11	149,781	149,992
Provision for employees' end of service benefit		45,809	44,544
Borrowings	12	4,111	4,522
<b>Total non-current liabilities</b>		<b>199,701</b>	<b>199,058</b>
<b>Current liabilities</b>			
Borrowings	12	924,347	938,844
Trade and other payables	13	465,025	508,679
Amounts due to a related party	10	561	561
Loan from a related party	10	36,730	36,730
Lease liabilities	11	3,918	4,337
<b>Total current liabilities</b>		<b>1,430,581</b>	<b>1,489,151</b>
<b>Total liabilities</b>		<b>1,630,282</b>	<b>1,688,209</b>
<b>Total equity and liabilities</b>		<b>3,433,982</b>	<b>3,481,376</b>

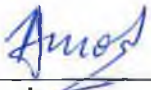
To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of 31<sup>st</sup> March 2020, and for the periods presented in the report.



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



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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 2020**

	Notes	Three-month period ended 31 March	
		2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Revenue		<b>208,166</b>	234,990
Direct costs		<b>(155,655)</b>	(188,532)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>52,511</b>	46,458
Selling and distribution expenses		<b>(7,275)</b>	(6,631)
General and administrative expenses		<b>(20,560)</b>	(19,634)
Other income	<b>16</b>	<b>521</b>	6,968
Impairment losses		<b>(3,639)</b>	(982)
Share of profit of associates	<b>6</b>	<b>1,373</b>	662
Finance costs		<b>(12,404)</b>	(14,631)
Finance income		<b>6</b>	3
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>10,533</b>	12,213
		<hr/>	<hr/>
<b>Basic and diluted earnings per share</b>	<b>16</b>	<b>0.006</b>	0.007
		<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 three-month period ended 31 March 2020**

	<b>Three-month period ended 31 March</b>	
	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
	<b>(unaudited)</b>	(unaudited)
<b>Profit for the period</b>	<b>10,533</b>	12,213
Other comprehensive income	-	-
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>10,533</b>	12,213
	<hr/> <hr/>	<hr/> <hr/>

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 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
Total comprehensive income for the period	-	-	-	12,213	-	12,213
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2019 (unaudited)	1,750,000	80,848	3,783	(24,914)	(4,029)	1,805,688
	<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
Total comprehensive income for the period	-	-	-	10,533	-	10,533
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 31 March 2020 (unaudited)</b>	<b>1,750,000</b>	<b>85,448</b>	<b>3,783</b>	<b>(28,935)</b>	<b>(6,596)</b>	<b>1,803,700</b>
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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 three-month period ended 31 March 2020**

	Notes	Three-month period ended 31 March	
		2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
<b>Cash flows from operating activities</b>			
Profit for the period		10,533	12,213
Adjustments for:			
Depreciation of property, plant and equipment	5	18,144	18,502
Amortisation of other intangible assets		2,115	2,116
Amortisation of right-of-use assets	11	2,026	2,297
Gain in disposal of property, plant and equipment		-	(16)
Impairment charge on trade receivables	8	3,414	982
Allowance for impairment of inventories, net	7	225	419
Provision for employees' end of service benefit		1,542	1,064
Share of profit from associates		(1,373)	(662)
Finance costs		12,404	14,631
Finance income		(6)	(3)
<b>Operating cash flows before movements in working capital</b>		<b>49,024</b>	<b>51,543</b>
Movements in working capital:			
(Increase)/decrease in inventories		(27,029)	1,303
Decrease/(increase) in trade and other receivables		18,315	(20,381)
(Increase)/decrease in amounts due from related parties		(15)	467
Decrease in trade and other payables		(43,654)	(20,908)
(Decrease)/increase in amounts due to a related party		-	(622)
<b>Cash (used in)/generated from operations</b>		<b>(3,359)</b>	<b>11,402</b>
End of service benefits paid		(277)	(120)
<b>Net cash (used in)/generated from operating activities</b>		<b>(3,636)</b>	<b>11,282</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	5	(4,526)	(3,531)
Proceed from sale of property, plant and equipment		-	16
Dividends received from associates	6	3,400	7,200
Interest received		6	3
<b>Net cash generated from/(used in) investing activities</b>		<b>(1,120)</b>	<b>3,688</b>
<b>Cash flows from financing activities</b>			
Proceeds from a new loan		52,103	129,757
Repayment of borrowings		(67,011)	(107,074)
Finance costs paid		(9,919)	(12,225)
Principal repayment of lease liability		(630)	(7,950)
Interest paid on lease liabilities		(2,485)	(2,406)
<b>Net cash (used in)/generated from financing activities</b>		<b>(27,942)</b>	<b>102</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(32,698)</b>	<b>15,072</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>	9	<b>48,588</b>	<b>68,717</b>

The accompanying notes form 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 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 three-month period ended 31 March 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
		31 March 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 three-month period ended 31 March 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.

<b><u>New and revised IFRSs</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
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
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> and IFRS 9- <i>Financial Instruments</i>	1 January 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:

<b><u>New and revised IFRSs</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
IFRS 17 <i>Insurance Contracts</i>	1 January 2022
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures (2011)</i>	Effective date deferred indefinitely. Adoption is still permitted.

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.

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2020 (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 2019. In addition, results for three-month period ended 31 March 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 31 March 2020, the Group had net current liabilities of AED 463,087 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.

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.

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2020 (continued)****3 Summary of significant accounting policies (continued)****Going concern (continued)**

Management has considered the unique circumstances and the risk exposures of the Group and has concluded that there is no significant impact on the Group's profitability position as at reporting date. This is primarily because construction activities in the UAE continue and are not subject to many of the restrictions mentioned above.

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 disruptions,
- 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).

The Group's business plan for 2020 has been approved by the Board of Directors, who are satisfied that the Group will continue to operate as a going concern and there have been no updates to the business plan in the current period. Accordingly, these 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 three-month period ended 31 March 2020 (continued)**

**5 Property, plant and equipment**

During the three-month period ended 31 March 2020, the Group acquired assets with a cost of AED 4,526 thousand (31 March 2019: AED 3,531 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 18,144 thousand (31 March 2019: AED 18,502 thousand).

**6 Investment in associates**

The movement in investment in associates is as follows:

	<b>31 March 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	1,373	3,702
Dividends received during the period/year	(3,400)	(7,200)
	<hr/>	<hr/>
Balance at the end of the period/year	<b>186,840</b>	188,867
	<hr/> <hr/>	<hr/> <hr/>

**7 Inventories**

	<b>31 March 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Raw materials	105,893	115,927
Work in progress	206,431	171,208
Finished goods	48,258	45,778
Goods in transit	58	58
Spare parts and consumable materials	138,296	138,936
	<hr/>	<hr/>
	498,936	471,907
Less: allowance for impairment of inventories	(55,146)	(54,921)
	<hr/>	<hr/>
	<b>443,790</b>	416,986
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Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2020 (continued)

**7 Inventories (continued)**

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

	<b>31 March 2020 AED'000 (unaudited)</b>	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	225	318
	<hr/>	<hr/>
Balance at the end of the period/year	<b>55,146</b>	54,921
	<hr/> <hr/>	<hr/> <hr/>

**8 Trade and other receivables**

	<b>31 March 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Trade receivables	557,506	566,416
Less loss allowance	(104,974)	(101,560)
	<hr/>	<hr/>
	452,532	464,856
Prepayments	19,718	29,297
Advances to suppliers	1,699	1,497
Other receivables	136	164
	<hr/>	<hr/>
	<b>474,085</b>	495,814
	<hr/> <hr/>	<hr/> <hr/>

The movement in the allowance for impairment is as follows:

	<b>31 March 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Balance as at 1 January	101,560	84,489
Net remeasurement of loss allowance	3,414	17,071
	<hr/>	<hr/>
Balance at the end of the period/year	<b>104,974</b>	101,560
	<hr/> <hr/>	<hr/> <hr/>



**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2020 (continued)**

**9 Cash and cash equivalents**

	<b>31 March 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Cash in hand	<b>105</b>	98
Cash at banks in current accounts	<b>48,483</b>	81,188
	<hr/>	<hr/>
	<b>48,588</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>31 March 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
<b>Amounts due from related parties</b>		
Emirates Steel Industries PJSC – sister concern	<b>998</b>	983
Others	<b>33</b>	33
	<hr/>	<hr/>
	<b>1,031</b>	1,016
	<hr/> <hr/>	<hr/> <hr/>
<b>Amounts due to a related party</b>		
General Holding Corporation PJSC (SENAAT)	<b>561</b>	561
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2020 (continued)

10 Related parties (continued)

	31 March 2020 AED'000 (unaudited)	31 December 2019 AED'000 (audited)
<b>Loan from a related party – the Parent Company</b>		
<i>Non-current</i>	-	-
<i>Current</i>	36,730	36,730
	<hr/>	<hr/>
	36,730	36,730
	<hr/> <hr/>	<hr/> <hr/>

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

	Three-month period ended 31 March	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Interest on loan from the Parent Company	384	676
	<hr/>	<hr/>
Interest on loan from the Associated Company	3,273	3,741
	<hr/>	<hr/>
Sales to a related party – Emirates Steel Industries PJSC, sister concern	811	791
	<hr/>	<hr/>
<u>Key management compensation</u>		
- Short term benefits	1,970	2,098
- Post-employment benefits	193	169
	<hr/>	<hr/>
	2,163	2,267
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 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>31 March 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
As at 1 January	155,903	165,338
Additions	-	92
Disposals	-	(1,044)
Amortisation expense	(2,026)	(8,483)
	<hr/>	<hr/>
	<b>153,877</b>	155,903
	<hr/> <hr/>	<hr/> <hr/>

**Lease liabilities**

	<b>31 March 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
As at 1 January	154,329	169,364
Additions	-	92
Disposals	-	(1,062)
Interest expense	2,485	10,440
Payments	(3,115)	(24,505)
	<hr/>	<hr/>
	<b>153,699</b>	154,329
	<hr/> <hr/>	<hr/> <hr/>

	<b>31 March 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
<i>Non-current</i>		
After one year	<b>3,918</b>	4,337
	<hr/> <hr/>	<hr/> <hr/>
<i>Current</i>		
Within one year	<b>149,781</b>	149,992
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2020 (continued)**

**12 Borrowings**

Bank borrowings are repayable as follows:

	<b>31 March 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
<i>Non-current</i>		
After one year	<b>4,111</b>	4,522
<i>Current</i>		
Within one year	<b>924,347</b>	938,844

The details of the bank borrowings are stated as follows:

	Maturity	Outstanding at 31 March 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	4,111	5,755	1,644	4,522	6,166
Short term loan 1	2020	85,000	-	85,000	90,000	-	90,000
Short term loan 2	2020	123,000	-	123,000	90,000	-	90,000
Short term loan 3	2020	90,000	-	90,000	90,000	-	90,000
Short term loan 4	2020	4,103	-	4,103	-	-	-
Short term loan 5	2020	20,000	-	20,000	-	-	-
		924,347	4,111	928,458	938,844	4,522	943,366
		924,347	4,111	928,458	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 31 March 2020, 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, 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 100 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 three-month period ended 31 March 2020 (continued)**

**12 Borrowings (continued)**

Short term loan 2 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.

Short term loan 3 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 4 with facility amount of AED 30 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 5 with facility amount of AED 30 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**

	<b>31 March 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>(67,011)</b>	(134,845)
Settlement of short term loans	<b>(112,000)</b>	(40,063)
Proceeds from short term loans	<b>164,103</b>	270,000
Interest paid	<b>(9,919)</b>	(47,007)
	<hr/>	<hr/>
Total changes from financing cash flows	<b>(24,827)</b>	48,085
	<hr/>	<hr/>
<b>Other changes / liability related</b>		
Interest expense	<b>9,919</b>	57,447
Changes in accruals	-	(10,440)
	<hr/>	<hr/>
Total liability related to other changes	<b>9,919</b>	47,007
	<hr/>	<hr/>
Balance at the end of the period/year	<b>928,458</b>	943,366
	<hr/>	<hr/>

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2020 (continued)**

**13 Trade and other payables**

	<b>31 March 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Trade payables	371,836	414,329
Accruals	60,077	57,854
VAT payable	2,563	1,298
Interest payable	3,038	3,267
Other payables	27,511	31,931
	<hr/>	<hr/>
	<b>465,025</b>	508,679
	<hr/> <hr/>	<hr/> <hr/>

**14 Contingencies and commitments**

	<b>31 March 2020 AED'000 (unaudited)</b>	31 December 2019 AED'000 (audited)
Bank guarantees and letters of credit	22,189	8,531
	<hr/>	<hr/>
Capital commitments	10,311	13,306
	<hr/>	<hr/>
Financial guarantees provided to associates	104,568	104,568
	<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 three-month period ended 31 March 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;
- Pipes segment, which includes the production and sale of Poly-Vinyl Chloride ("PVC") Pipes and Glass Reinforced Polyester ("GRP") Pipes; and
- Bags segment, which includes production and sale of paper bags.

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

Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2020 (continued)

15 Segment reporting (continued)

For the period ended 31 March 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	106,014	54,484	22,182	20,145	5,341	-	-	208,166
Intersegment revenue	7,633	-	-	-	2,142	-	9,775	-
<i>Timing of revenue recognition</i>								
At a point in time	106,014	54,484	22,182	20,145	5,341	-	-	208,166
Over time	-	-	-	-	-	-	-	-
Finance cost	11,936	415	-	-	-	53	-	12,404
Depreciation and amortization	14,109	4,614	1,440	518	56	1,548	-	22,285
Share of profit of associates	-	-	-	-	-	1,373	-	1,373
Profit/(loss) for the period	10,107	3,147	4,664	944	42	(8,371)	-	10,533



Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2020 (continued)

15 Segment reporting (continued)

As at 31 March 2020 (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	<b>4,391,556</b>	<b>427,435</b>	<b>99,565</b>	<b>154,530</b>	<b>38,363</b>	<b>1,508,543</b>	<b>(3,185,664)</b>	<b>3,434,328</b>
Total liabilities	<b>1,707,854</b>	<b>240,602</b>	<b>26,971</b>	<b>38,527</b>	<b>75,188</b>	<b>2,708,835</b>	<b>(3,167,695)</b>	<b>1,630,282</b>

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)	-
<i>Timing of revenue recognition</i>								
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

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2020 (continued)**

**15 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
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

**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 three-month period ended 31 March 2020 (continued)

**16 Other income**

	<b>Three-month period ended 31 March</b>	
	<b>2020</b> <b>AED'000</b> <b>(unaudited)</b>	<b>2019</b> <b>AED'000</b> <b>(unaudited)</b>
Proceeds from sale of scrap	477	6,857
Other	44	111
	<u>521</u>	<u>6,968</u>

**17 Basic and diluted earnings per share**

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

	<b>Three-month period ended 31 March</b>	
	<b>2020</b> <b>(unaudited)</b>	<b>2019</b> <b>(unaudited)</b>
Profit for the period (AED'000)	<u>10,533</u>	<u>12,213</u>
Weighted average number of shares in issue (thousands of shares)	<u>1,750,000</u>	<u>1,750,000</u>
Earnings per share (AED)	<u>0.006</u>	<u>0.007</u>

There were no potentially dilutive securities as at 31 March 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 three-month period ended 31 March 2020 and 2019.

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 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 with no indication as to when such measures will be lifted. Management continues to monitor the situation closely and assess additional measures that may be required in case the period of disruption is further prolonged. The continuation of these restrictions post the reporting date is a non-adjusting event and it is impracticable to determine the future impact it may have, if any, at this stage other than on the measurement of the expected credit loss allowance in the determination of the carrying amount of financial assets.

**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 31 March 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 30 April 2020.