

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

**Reports and condensed consolidated
interim financial statements
for the three-month period
ended 31 March 2021**

ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC

Reports and condensed consolidated financial statements for the three-month period ended 31 March 2021

	Pages
Board of Directors' report to the shareholders	1 – 2
Report on review of interim financial information	3
Condensed consolidated statement of financial position	4
Condensed consolidated statement of profit or loss	5
Condensed consolidated statement of profit or loss and other comprehensive income	6
Condensed consolidated statement of changes in equity	7
Condensed consolidated statement of cash flows	8
Notes to the condensed consolidated interim financial statements	9 – 28

**Board of Directors' report to the shareholders
for the three-month period ended 31 March 2021**

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 ended 31 March 2021, together with the reviewed condensed consolidated financial statements for the same period of 2020.

Arkan's revenue in the first three months of 2021 was AED 223.54 million compared to AED 208.17 in the same period in 2020. The increase in revenue came from increased sales of clinker to export markets. However, overall revenue from the local market decreased due to lower sales volumes and decreased selling prices.

The Group's net profit for the same period was AED 1.22 million compared to AED 10.53 million in Q1 2020, a period prior to the COVID-19 pandemic. The significant reduction in profit was attributed to lower demand due to delays in construction projects, an increase in raw material prices and a reduction in selling prices.

Arkan's leadership continue to implement a series of cost saving initiatives to adapt to the new market dynamics and improve the company's profitability. The cost rationalisation programme, which was implemented in Q4 2020 led to AED 7 million of cost savings in the first three months of 2021.

Review of Operations

Cement Operations:

Revenue from Arkan's Cement segment increased from AED 106.01 for the first three month of 2020 to AED 129.97 million for the first three months of 2021 as a result of clinker export sale of AED 25.85 million. Profit from this segment for the first three months of 2021 was AED 0.18 million as compared to AED 10.11 million for the same period of 2020. This decrease mainly resulted from lower cement volumes and prices in local market.

Concrete Blocks and Dry Mortar:

Revenue from Arkan's Blocks segment was AED 54.48 million for the first three months of 2021, compared to AED 54.48 million for the same period of 2020. Profit from this segment for the first three months of 2021 was AED 2.42 million as compared to a profit of AED 3.15 million for the same period of 2020. In addition to COVID -19 impact on selling prices, the segment had to recognise additional provision for receivables under accounting standard IFRS 9.

GRP Pipes:

Revenue from Arkan's GRP segment was AED 19.83 million for the first three months of 2021, compared to AED 22.18 million for the same period of 2020. Profit from this segment significantly increased to AED 5.41 million in first three months of 2021 compared to net profit of AED 4.67 million for the same period of 2020 as GRP segment was successful in achieving better margins.

PVC Pipes:

Arkan's PVC Pipes segment sales revenue was AED 15.63 million for the first three months of 2021, compared to AED 20.15 million for the same period of 2020. Net loss from this segment reached to AED 1.28 million for the first three months of 2021 compared to profit of AED 0.94 million for the same period of 2020, due to lower market demand and increase in raw material prices.

**Board of Directors' report to the shareholders
for the three-month period ended 31 March 2021 (continued)**

Review of Operations (continued)

Bags:

Arkan's Bags segment sales revenue was AED 3.64 million for the first three months of 2021, compared to AED 5.34 million for the same period of 2020. Profit from this segment amounted to AED 0.41 million for the first three months of 2021, compared to a loss of AED 0.04 million for the same period of 2020 due to lower raw materials cost.

Liquidity

The Company's cash and cash equivalents were AED 62.61 million as of 31 March 2021 (31 December 2020: AED 73.96 million).

Total Assets & Shareholders' Equity

The total assets of the Company equaled AED 3.19 billion at the end of 31 March 2021 (31 December 2020: AED 3.26 billion). The value of shareholders' equity was at AED 1.73 billion as of 31 March 2021 compared to AED 1.72 billion as of 31 December 2020.

Investments

The share of profit from associates for the first three months of 2020 was AED 0.58 million compared to profit of AED 1.37 million in the same period of 2020. The Company received a cash dividend of AED Nil million from this investment during the period (2020: AED 6.2 million).

On behalf of the Board of Directors:



Jamal Salem Al Dhaheri

Chairman

05 May 2021

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 2021 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.)

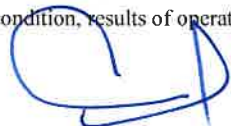


Mohammad Khamees Al Tah
Registration No. 717
5 May 2021
Abu Dhabi
United Arab Emirates


**Condensed consolidated statement of financial position
as at 31 March 2021**

	Notes	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,845,582	1,860,098
Goodwill		128,430	128,430
Right-of-use assets	11	229,197	233,097
Investment in associates	6	154,229	153,649
Total non-current assets		2,357,438	2,375,274
Current assets			
Inventories	7	358,550	396,818
Trade and other receivables	8	407,661	412,724
Amounts due from related parties	10	782	755
Cash and cash equivalents	9	62,614	73,962
Total current assets		829,607	884,259
Total assets		3,187,045	3,259,533
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		(9,089)	(9,089)
Accumulated losses		(104,789)	(106,010)
Total equity		1,725,353	1,724,132
Non-current liabilities			
Lease liabilities	11	146,127	146,182
Provision for employees' end of service benefit		49,235	49,028
Borrowings	12	537,802	403,678
Total non-current liabilities		733,164	598,888
Current liabilities			
Borrowings	12	370,683	529,327
Trade and other payables	13	336,128	385,147
Amounts due to a related party	10	53	20
Loan from a related party	10	18,361	18,361
Lease liabilities	11	3,303	3,658
Total current liabilities		728,528	936,513
Total liabilities		1,461,692	1,535,401
Total equity and liabilities		3,187,045	3,259,533

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 March 2021, and for the periods presented in the report.


Jamal Salem Al Dhaheri
 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 three-month period ended 31 March 2021**

	Notes	Three-month period ended	
		31 March	
		2021	2020
		AED'000	AED'000
		(unaudited)	(unaudited)
Revenue		223,537	208,166
Direct costs		(191,899)	(155,655)
		<hr/>	<hr/>
Gross profit		31,638	52,511
Selling and distribution expenses		(4,688)	(7,275)
General and administrative expenses		(14,671)	(20,560)
Other income	16	1,443	521
Impairment losses on financial assets	8	(3,552)	(3,414)
Impairment losses on non-financial assets	7	(321)	(225)
Share of profit of associates	6	580	1,373
Finance costs		(9,220)	(12,404)
Finance income		12	6
		<hr/>	<hr/>
Profit for the period		1,221	10,533
		<hr/>	<hr/>
Basic and diluted earnings per share	17	0.001	0.006
		<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 2021**

	Three-month period ended 31 March	
	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)
Profit for the period	1,221	10,533
Other comprehensive income	-	-
Total comprehensive income for the period	1,221	10,533

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 2021**

	Share capital AED'000	Statutory reserve AED'000	Capital reserve AED'000	Accumulated losses AED'000	Other reserves AED'000	Total equity AED'000
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/>
As at 31 March 2020 (unaudited)	1,750,000	85,448	3,783	(28,935)	(6,596)	1,803,700
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 1 January 2021 (audited)	1,750,000	85,448	3,783	(106,010)	(9,089)	1,724,132
Total comprehensive income for the period	-	-	-	1,221	-	1,221
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2021 (unaudited)	1,750,000	85,448	3,783	(104,789)	(9,089)	1,725,353
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 2021**

	Notes	Three-month period ended 31 March	
		2021 AED'000 (unaudited)	2020 AED'000 (unaudited)
Cash flows from operating activities			
Profit for the period		1,221	10,533
Adjustments for:			
Depreciation of property, plant and equipment	5	17,709	18,144
Amortisation of right-of-use assets	11	3,900	4,141
Amortisation of restructuring fee		140	-
Gain on disposal of property, plant and equipment	5	(1,081)	-
Impairment charge on trade receivables	8	3,552	3,414
Allowance for impairment of inventories, net	7	321	225
Provision for employees' end of service benefit		1,693	1,542
Share of profit from associates		(580)	(1,373)
Finance costs		9,220	12,404
Finance income		(12)	(6)
Operating cash flows before movements in working capital		36,083	49,024
Movements in working capital:			
Decrease/(increase) in inventories		37,947	(27,029)
Decrease in trade and other receivables		2,706	18,315
Increase in amounts due from related parties		(27)	(15)
Decrease in trade and other payables		(49,019)	(43,654)
Increase in amounts due to a related party		33	-
Cash generated from/(used in) operations		27,723	(3,359)
End of service benefits paid		(1,486)	(277)
Net cash generated from/(used in) operating activities		26,237	(3,636)
Cash flows from investing activities			
Payments for property, plant and equipment	5	(3,193)	(4,526)
Proceed from sale of property, plant and equipment	5	1,081	-
Dividends received from associates	6	-	3,400
Interest received		12	6
Net cash used in investing activities		(2,100)	(1,120)
Cash flows from financing activities			
Proceeds from a new loan		222,169	52,103
Repayment of borrowings		(248,024)	(67,011)
Finance costs paid		(6,819)	(9,919)
Principal repayment of lease liability		(410)	(630)
Interest paid on lease liabilities		(2,401)	(2,485)
Net cash used in financing activities		(35,485)	(27,942)
Net decrease in cash and cash equivalents		(11,348)	(32,698)
Cash and cash equivalents at the beginning of the period		73,962	81,286
Cash and cash equivalents at the end of the period	9	62,614	48,588

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 2021**
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 three-month period ended 31 March 2021 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 Group</u>		<u>Principal activity</u>
		<u>31 March 2021</u>	<u>31 December 2020</u>	
Emirates Blocks Factory	UAE	100%	100%	Production and sale of cement blocks.
Emirates Cement Factory ¹	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.

¹ Operations of Emirates Cement Factory were discontinued in December 2016 and currently Emirates Cement Factory does not have any operations.

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2021 (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 2020, 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 2021. 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.

- *Interest Rate Benchmark Reform –Phase 2*

The amendments in Interest Rate Benchmark Reform- Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

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 2021.

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:

- *Classification of Liabilities as Current or Non-Current - amendments to IAS 1 (effective from 1 January 2023)*. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current;
- *Reference to the Conceptual Framework - Amendments to IFRS 3 (effective from 1 January 2022)*. The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard;
- *Property, Plant and Equipment - Proceeds before Intended Use - amendments to IAS 16 (effective from 1 January 2022)*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss;

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2021 (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)**

- *Onerous Contracts - Cost of Fulfilling a Contract - amendments to IAS 37 (effective from 1 January 2022)*. The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract);
- *IFRS 17: Insurance Contracts (effective from 1 January 2023)*. IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at January 1, 2023;
- *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 an investor to its associate or joint venture. (Effective date deferred indefinitely. Adoption is still permitted).
- *Annual Improvements to IFRS Standards 2018–2020 (effective from 1 January 2022)*. The Annual Improvements include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective from January 1, 2022), IFRS 9 Financial Instruments (effective from January 1, 2022), IFRS 16 Leases (effective date not yet decided) and IAS 41 Agriculture (effective from January 1, 2022).
- *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (effective from 1 January 2023)*. The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.
- *Definition of Accounting Estimates - Amendments to IAS 8 (effective from 1 January 2023)*. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

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 2021 (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)**

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the condensed consolidated financial information of the Group.

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 2020. In addition, results for three-month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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 2020, except for the adoption of new standards and interpretations effective 1 January 2021.

Going concern

During the period, the Group entered into an amendment agreement with Term 1 lenders for a repayment holiday up to 17 December 2022. In addition, based on the Group’s existing cash position, the funds available from undrawn facilities which amounted to AED 130.96 million at the reporting date and the expected free cash flow to be generated from operations will be sufficient for the Group to meet its obligations as they fall due for a period of at least 12 months from the date of these financial statements.

Accordingly, and taking into consideration the impact of Covid-19 to the Group’s future cash flows, these consolidated financial statements have been prepared on a going concern basis.

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2021 (continued)**

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 2020.

5 Property, plant and equipment

During the three-month period ended 31 March 2021, the Group acquired assets with a cost of AED 3,193 thousand (31 March 2020: AED 4,526 thousand). Cement factory has been pledged against a loan received from a bank for the construction of the factory. Assets with net carrying value of AED Nil were disposed during the period with net proceeds from the sale amounting to AED 1,080 thousand (2020: AED Nil).

Depreciation charge for the period amounted to AED 17,709 thousand (31 March 2020: AED 18,144 thousand).

6 Investment in associates

The movement in investment in associates is as follows:

	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Balance at the beginning of the period/year	153,649	188,867
Share of profit/(loss) of associates for the period/year	580	(197)
Dividends received during the period/year	-	(6,200)
Impairment during the period/year	-	(28,821)
Balance at the end of the period/year	154,229	153,649

Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2021 (continued)

7 Inventories

	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Raw materials	118,844	123,563
Work in progress	110,814	142,291
Finished goods	44,235	44,908
Spare parts and consumable materials	139,920	140,998
	<hr/>	<hr/>
	413,813	451,760
Less: allowance for impairment of inventories	(55,263)	(54,942)
	<hr/>	<hr/>
	358,550	396,818
	<hr/> <hr/>	<hr/> <hr/>

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

	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Balance at the beginning of the period/year	54,942	54,921
Reversal for the period/year	-	(170)
Impairment for the period/year	321	191
	<hr/>	<hr/>
Balance at the end of the period/year	55,263	54,942
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2021 (continued)

8 Trade and other receivables

	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Trade receivables	518,247	522,771
Less: loss allowance	(134,341)	(130,789)
	<hr/>	<hr/>
	383,906	391,982
Prepayments	22,178	19,574
Advances to suppliers	1,492	1,127
Other receivables	85	41
	<hr/>	<hr/>
	407,661	412,724
	<hr/> <hr/>	<hr/> <hr/>

The movement in the allowance for impairment is as follows:

	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Balance as at 1 January	130,789	101,560
Net remeasurement of loss allowance	3,552	29,229
	<hr/>	<hr/>
Balance at the end of the period/year	134,341	130,789
	<hr/> <hr/>	<hr/> <hr/>

9 Cash and cash equivalents

	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Cash in hand	121	109
Cash at banks in current accounts	62,493	73,853
	<hr/>	<hr/>
	62,614	73,962
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2021 (continued)**

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 (IAS 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 Group has elected to use the exemption under IAS 24 for government related entities on disclosing transactions and related outstanding balances with government related entities owned by the Government of Abu Dhabi other than the Parent Company and entities it owns and controls. 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 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:

	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Amounts due from related parties		
Emirates Steel Industries PJSC – sister company	598	552
National Petroleum (NPCC) – sister company	151	170
Others	33	33
	<hr/>	<hr/>
	782	755
	<hr/> <hr/>	<hr/> <hr/>
Amounts due to a related party		
Emirates Steel Industries PJSC – sister concern	53	20
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2021 (continued)**

10 Related parties (continued)

	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Loan from a related party – the Parent Company		
General Holding Corporation PJSC (SENAAT) - <i>Current</i>	18,361	18,361
	<hr/> <hr/>	<hr/> <hr/>

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

	Three-month period ended 31 March	
	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)
Interest on loan from the Parent Company	108	384
	<hr/> <hr/>	<hr/> <hr/>
Sales to a related party – Emirates Steel Industries PJSC, sister concern	741	811
	<hr/> <hr/>	<hr/> <hr/>
Purchase from a related party – Emirates Steel Industries PJSC, sister concern	51	35
	<hr/> <hr/>	<hr/> <hr/>
<u>Key management compensation</u>		
- Short term benefits	1,608	1,970
- Post-employment benefits	173	193
	<hr/> <hr/>	<hr/> <hr/>
	1,781	2,163
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2021 (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

	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
As at 1 January	233,097	249,679
Additions	-	62
Disposals	-	(138)
Amortisation expense	(3,900)	(16,506)
	<hr/> 229,197 <hr/>	<hr/> 233,097 <hr/>

Lease liabilities

	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
As at 1 January	149,840	154,329
Additions	-	62
Disposals	-	(146)
Interest expense	2,401	9,875
Payments	(2,811)	(14,280)
	<hr/> 149,430 <hr/>	<hr/> 149,840 <hr/>

	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
<i>Current</i>		
Within one year	3,303	3,658
	<hr/>	<hr/>
<i>Non-current</i>		
After one year	146,127	145,772
	<hr/>	<hr/>

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2021 (continued)**

12 Borrowings

Bank borrowings are contractually repayable as follows:

	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
<i>Non-current</i>		
After one year	537,802	403,678
	<hr/> <hr/>	<hr/> <hr/>
<i>Current</i>		
Within one year	370,683	529,327
	<hr/> <hr/>	<hr/> <hr/>

The details of the bank borrowings are stated as follows:

	Maturity	Outstanding at 31 March 2021			Outstanding at 31 December 2020		
		Current AED'000	Non- current AED'000	Total AED'000	Current AED'000	Non-current AED'000	Total AED'000
Term loan 1	2024	-	535,335	535,335	133,200	400,800	534,000
Term loan 2	2023	1,644	2,467	4,111	1,644	2,878	4,522
Short term loan 1	2020	125,185	-	125,185	105,000	-	105,000
Short term loan 2	2020	73,500	-	73,500	132,100	-	132,100
Short term loan 3	2020	143,405	-	143,405	100,000	-	100,000
Short term loan 4	2020	20,000	-	20,000	49,800	-	49,800
Short term loan 5	2020	6,949	-	6,949	7,583	-	7,583
		<hr/> 370,683 <hr/>	<hr/> 537,802 <hr/>	<hr/> 908,485 <hr/>	<hr/> 529,327 <hr/>	<hr/> 403,678 <hr/>	<hr/> 933,005 <hr/>

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. The term loan is secured by assets with a carrying amount of AED 1,467 million (2020: AED 1,553 million).

On 10 March 2021, the Group entered into an agreement with its Term Loan 1 lenders for a repayment holiday up to 17 December 2022. Consequently, the entire balance is presented as non-current liabilities in the current period.

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 three-month period ended 31 March 2021 (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

	31 March 2021 AED'000 (audited)	31 December 2020 AED'000 (audited)
Balance at the beginning of the period/year	933,005	943,366
Settlement of term loans	(411)	(134,844)
Settlement of short-term loans	(247,613)	(270,000)
Proceeds from short-term loans	222,169	394,483
Interest paid	(6,819)	(33,981)
Restructuring fee payable	1,335	-
	<hr/>	<hr/>
Total changes from financing cash flows	(31,339)	(44,342)
	<hr/>	<hr/>
Other changes / liability related		
Interest expense	9,220	43,856
Changes in accruals	(2,401)	(9,875)
	<hr/>	<hr/>
Total liability related to other changes	6,819	33,981
	<hr/>	<hr/>
Balance at the end of the period/year	908,485	933,005
	<hr/>	<hr/>

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2021 (continued)**

13 Trade and other payables

	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Trade payables	250,437	289,531
Accruals	61,905	68,109
VAT payable	1,916	979
Interest payable	2,507	2,433
Other payables	19,361	24,095
	<hr/>	<hr/>
	336,126	385,147
	<hr/> <hr/>	<hr/> <hr/>

14 Contingencies and commitments

	31 March 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Bank guarantees and letters of credit	34,470	24,896
	<hr/>	<hr/>
Capital commitments	9,612	9,612
	<hr/>	<hr/>
Financial guarantees provided to associates	77,211	77,211
	<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 three-month period ended 31 March 2021 (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 three-month period ended 31 March 2021 (continued)

15 Segment reporting (continued)

For the period ended 31 March 2021 (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	129,966	54,475	19,825	15,633	3,638	-	-	223,537
Intersegment revenue	8,152	-	-	-	2,011	-	(10,163)	-
<i>Timing of revenue recognition</i>								
At a point in time	129,966	54,475	19,825	15,633	3,638	-	-	223,537
Over time	-	-	-	-	-	-	-	-
Finance cost	9,181	-	-	-	-	39	-	9,220
Depreciation and amortisation	13,600	4,454	1,435	526	53	1,541	-	21,609
Share of profit of associates	-	-	-	-	-	580	-	580
Profit/(loss) for the period	183	2,418	5,412	(1,276)	409	(5,925)	-	1,221

Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2021 (continued)

15 Segment reporting (continued)

As at 31 March 2021 (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	4,643,102	383,878	100,486	153,073	40,509	1,525,342	(3,659,345)	3,187,045
Total liabilities	1,952,959	205,338	28,538	42,792	83,849	2,811,801	(3,663,585)	1,460,544

Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2021 (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 2021 (continued)**

15 Segment reporting (continued)

As at 31 December 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	4,582,874	400,476	100,515	160,152	40,755	1,503,329	(3,528,568)	3,259,533
Total liabilities	1,901,770	225,464	28,214	45,875	83,628	2,783,875	(3,533,425)	1,535,401

Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2021 (continued)

16 Other income

	Three-month period ended 31 March	
	2021 AED'000 (unaudited)	2020 AED'000 (unaudited)
Proceeds from sale of scrap	1,443	477
Other	-	44
	1,443	521

17 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	
	2021 (unaudited)	2020 (unaudited)
Profit for the period (AED'000)	1,221	10,533
Weighted average number of shares in issue (thousands of shares)	1,750,000	1,750,000
Earnings per share (AED)	0.001	0.006

There were no potentially dilutive securities as at 31 March 2021 and 2020, 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 2021 and 2020, except for the volatility arising from COVID-19.

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2021 (continued)****19 Comparative information**

Impairment losses on financial assets and impairment losses on non-financial assets have been presented separately as a one-line items in the face of the condensed consolidated statement of profit or loss to conform to the current period presentation. In the 31 March 2020 condensed consolidated interim financial statements, it was presented under impairment losses.

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 5 May 2021.