

**Arkan Building Materials Company
(ARKAN) PJSC**

Condensed consolidated interim financial
information

30 September 2015

Principal business address:
P.O. Box 40307
Abu Dhabi
United Arab Emirates

Arkan Building Materials Company (ARKAN) PJSC

Condensed consolidated interim financial information

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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 period ended September 30th, 2015, together with the reviewed condensed consolidated financial statements for the same period.

Overall, Arkan's revenue increased in the first nine months of 2015 by 25% to AED 666.37 million, compared to AED 531.77 million in the first nine months of 2014. The Group's profit for the same period significantly increased by 47% to AED 81.01 million compared to AED 55.02 million in the first nine months of 2014, largely as a result of the successful commencement of commercial production of the new Al Ain Cement Factory in March 2014.

Review of Operations:

Cement Operations:

Revenue from Arkan's Cement segment was AED 518.34 million at the end of the first nine months of 2015, compared to AED 390.27 million in the first nine months of 2014. Profit from this segment for the same period of 2015 equaled 67.90 million as compared to AED 46.97 million in the first nine months of 2014. Arkan's new Al Ain Cement Factory (ACF) contributed revenue of AED 400.26 million and a profit of AED 59.99 million during the first nine months of 2015 as compared to a revenue of AED 330.72 million and a profit of AED 31.70 million from its commercial production in March 2014 till September 2014.

Concrete Blocks:

Revenue from Arkan's Blocks segment reached AED 52.45 million at the end of 30 September 2015, compared to AED 41.32 million in the first nine months of 2014. Loss from this segment in the first nine months of 2015 is AED 4.19 million as compared to a loss of AED 1.90 million in the same period of 2014 due to higher depreciation cost resulting from capitalization of the new blocks factory and due to increase in raw materials cost.

GRP Pipes:

Revenue from Arkan's GRP Pipes segment reached AED 31.06 million for the period ended 30 September 2015, compared to AED 26.23 million in the same period of 2014. Profit from this segment amounted to AED 4.77 million in the first nine months of 2015 compared to a loss of AED 908 thousand during the first nine months of 2014. The sales volumes increased by 18% in the same period of 2015 as a result of the company tapping into new export markets and broadening the product portfolio which also contributed to the turnaround of the segment.

PVC Pipes:

Arkan's PVC Pipes segment sales revenue was AED 46.51 million in the first nine months of 2015, compared to AED 45.42 million in the same period of 2014. Profit from this segment amounted to AED 1.27 million at the end of 30 September 2015 compared to a loss of AED 464 thousand in the first nine months of 2014 because the company was able to secure raw material at lower prices and by implementing various improvements in the production process.

Bags:

Arkan's Bags segment sales revenue was AED 18.01 million up to September 2015, compared to AED 28.52 million in the first nine months of 2014. Profit from this segment amounted to AED 936 thousand at the end of 30 September 2015, compared to AED 2.13 million in the first nine months of 2014 due to lower export sales volumes to countries affected by political unrest.

Liquidity

The Group's cash and cash equivalents amounted to AED 62.04 million at the end of 30 September 2015.

Total Assets & Shareholders' Equity

The total assets of the Group reached AED 3.69 billion at the end of 30 September 2015. The value of shareholders' equity increased to AED 1.83 billion as of September 30, 2015 compared to AED 1.79 billion as of 31 December 2014.

Investments

The fair value of the shares portfolio, as at end of Q3 2015 increased to AED 1.43 million. The value of the investment in Emirates Real Estate Fund was AED 74.71 million at the end of 30 September 2015 compared to the 74.76 million as at 31 December 2014. The share of profit from associates at the end of the first nine months of 2015 was AED 17.05 million compared to AED 8.75 million in the same period last year. The Company received cash dividends of AED 20 million from this investment during the period.

On behalf of the Board of Directors:

Jamal Salem Al Dhaheri
Chairman
29 October 2015





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Independent auditors' report on review of condensed consolidated interim financial information

The Shareholders
Arkan Building Materials Company (ARKAN) PJSC

Introduction

We have reviewed the accompanying 30 September 2015 condensed consolidated interim financial information of Arkan Building Materials Company (ARKAN) PJSC and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 September 2015;
- the condensed consolidated interim statement of profit or loss for the nine-month period ended 30 September 2015;
- the condensed consolidated interim statement of comprehensive income for the nine-month period ended 30 September 2015;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2015;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2015; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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 30 September 2015 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited
Munther Dajani
Registration Number. 268
Abu Dhabi, United Arab Emirates

29 OCT 2015

Arkan Building Materials Company (ARKAN) PJSC

Condensed consolidated interim statement of financial position

As at 30 September 2015

	<i>Notes</i>	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Assets			
Non-current assets			
Property, plant and equipment	5	2,200,156	2,244,868
Goodwill		128,430	128,430
Other intangible assets		130,972	137,431
Investment in associates	6	219,902	222,852
Financial assets measured at fair value through other comprehensive income (FVTOCI)	7	74,706	74,760
Total non-current assets		2,754,166	2,808,341
Current assets			
Financial assets measured at fair value through profit or loss (FVTPL)	7	1,428	357
Inventories	8	371,540	343,241
Trade and other receivables	9	475,530	415,553
Prepayments		25,013	30,713
Amounts due from related parties	11	476	873
Cash and bank balances	10	62,044	98,462
Total current assets		936,031	889,199
Total assets		3,690,197	3,697,540
Equity and Liabilities			
Capital and reserves			
Share capital		1,750,000	1,750,000
Statutory reserve		62,373	62,373
Capital reserve		3,783	3,783
Investment revaluation reserve	7	(70,029)	(69,975)
Retained earnings		80,806	43,545
Net equity attributable to owners of the Company		1,826,933	1,789,726
Non-controlling interest		307	307
Net equity		1,827,240	1,790,033

Arkan Building Materials Company (ARKAN) PJSC

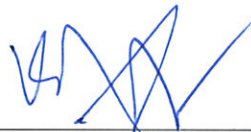
Condensed consolidated interim statement of financial position (*continued*)

As at 30 September 2015

	Notes	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Non-current liabilities			
Borrowings	12	1,168,178	1,302,744
Deferred government grant		-	23,000
Loan from a related party	11	146,920	146,920
Provision for employees' end of service benefit		33,283	30,883
Total non-current liabilities		1,348,381	1,503,547
Current liabilities			
Borrowings	12	149,978	101,644
Trade and other payables	13	318,010	244,409
Amounts due to related parties	11	12,088	11,907
Deferred government grant		34,500	46,000
Total current liabilities		514,576	403,960
Total liabilities		1,862,957	1,907,507
Total equity and liabilities		3,690,197	3,697,540



Jamal Salem Al Dhaheri
Chairman



Abdellatif Sfaxi
Chief Executive Officer



Faizal Amod
Chief Financial Officer

The notes set out on pages 9 to 25 form an integral part of these condensed consolidated interim financial information.

The independent auditors' report on review of these condensed consolidated interim financial information is set out on page 2.

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Arkan Building Materials Company (ARKAN) PJSC

Condensed consolidated interim statement of profit or loss (unaudited)
for the period ended 30 September 2015

	Notes	3 months ended 30 September		9 months ended 30 September	
		2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Revenue		222,373	165,141	666,372	531,766
Direct costs		(175,118)	(125,159)	(508,253)	(414,789)
Gross profit		47,255	39,982	158,119	116,977
Selling and distribution expenses		(5,224)	(2,964)	(17,680)	(14,540)
General and administrative expenses		(25,851)	(35,415)	(82,574)	(78,397)
Other income	14	-	21,648	9,027	31,141
Share of profits of associates (net)	6	6,379	4,631	17,050	8,746
Income from government grant		11,500	11,500	34,500	34,500
Net gain on investments at fair value through profit or loss		1,071	-	1,071	-
Dividend income		2,185	2,012	4,365	3,940
Interest expenses		(14,187)	(16,474)	(43,073)	(47,595)
Interest income		53	-	206	244
Profit for the period		23,181	24,920	81,011	55,016
Profit for the period attributable to:					
Owners of the Company		23,181	24,920	81,011	55,016
		23,181	24,920	81,011	55,016
Basic and diluted earnings per share attributable to owners of the Company (AED)	18	0.013	0.014	0.046	0.031

The notes set out on pages 9 to 25 form an integral part of these condensed consolidated interim financial information.

The independent auditors' report on review of these condensed consolidated interim financial information is set out on page 2.

Arkan Building Materials Company (ARKAN) PJSC

Condensed consolidated interim statement of comprehensive income (unaudited)
for the period ended 30 September 2015

	Notes	3 months ended		9 months ended	
		30 September		30 September	
		2015	2014	2015	2014
		AED'000	AED'000	AED'000	AED'000
Profit for the period		23,181	24,920	81,011	55,016
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Net changes in fair value of investment in equity instruments measured at FVTOCI	7	(54)	-	(54)	2,833
Total comprehensive income for the period		23,127	24,920	80,957	57,849
Total comprehensive income for the period attributable to:					
Owners of the Company		23,127	24,920	80,957	57,849
		23,127	24,920	80,957	57,849

The notes set out on pages 9 to 25 form an integral part of these condensed consolidated interim financial information.

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Arkan Building Materials Company (ARKAN) PJSC

Condensed consolidated interim statement of changes in equity
for the period ended 30 September 2015

	Share capital AED'000	Statutory reserve AED'000	Capital reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Net equity attributable to owners of the Company AED'000	Non- controlling interest AED'000	Total AED'000
Balance at 1 January 2014 (audited)	1,750,000	54,372	3,783	(76,700)	(28,467)	1,702,988	307	1,703,295
Profit for the period	-	-	-	-	55,016	55,016	-	55,016
Other comprehensive income for the period	-	-	-	2,833	-	2,833	-	2,833
Total comprehensive income for the period	-	-	-	2,833	55,016	57,849	-	57,849
Balance at 30 September 2014 (unaudited)	1,750,000	54,372	3,783	(73,867)	26,549	1,760,837	307	1,761,144
Balance at 1 January 2015 (audited)	1,750,000	62,373	3,783	(69,975)	43,545	1,789,726	307	1,790,033
Profit for the period	-	-	-	-	81,011	81,011	-	81,011
Dividend paid (refer note 19)	-	-	-	-	(43,750)	(43,750)	-	(43,750)
Other comprehensive income for the period	-	-	-	(54)	-	(54)	-	(54)
Total comprehensive income for the period	-	-	-	(54)	37,261	37,207	-	37,207
Balance at 30 September 2015 (unaudited)	1,750,000	62,373	3,783	(70,029)	80,806	1,826,933	307	1,827,240

The notes set out on pages 9 to 25 form an integral part of these condensed consolidated interim financial information.

Arkan Building Materials Company (ARKAN) PJSC

Condensed consolidated interim statement of cash flows (unaudited)
for the period ended 30 September 2015

	Notes	9 months ended 30 September	
		2015 AED'000	2014 AED'000
Cash flows from operating activities			
Profit for the period		81,011	55,016
Adjustments for:			
Depreciation of property, plant and equipment	5	81,715	66,055
Amortisation of other intangible assets		6,459	6,459
Dividend income		(4,365)	(3,940)
Finance income		(206)	(244)
Finance cost		43,073	47,595
Amortisation of deferred government grant		(34,500)	(34,500)
Net gain arising on financial assets measured as at FVTPL		(1,071)	-
Share of profit from associates	6	(17,050)	(11,495)
Impairment loss recognised on trade receivables	9	1,577	910
Provision for inventory obsolescence	8	302	2,168
Provision for employees' end of service benefit		2,860	2,310
Operating cash flows before movements in working capital		159,805	130,334
Changes in			
- inventories	8	(28,601)	(123,267)
- trade and other receivables	9	(61,554)	(47,562)
- prepayments		5,700	(44,765)
- due from related parties	11	397	11,634
- trade and other payables	13	73,601	24,754
- due to related parties	11	181	11
Cash generated from / (used in) operating activities		149,529	(48,861)
End of service benefits paid		(460)	(1,280)
Net cash from / (used in) operating activities		149,069	(50,141)
Cash flows from investing activities			
Payments for property, plant and equipment	5	(37,003)	(58,699)
Dividends received from associates	6	20,000	8,000
Margin deposits encashed		3,678	20,000
Dividend received from investments held at FVTOCI		4,365	3,940
Interest income		206	244
Net cash used in investing activities		(8,754)	(26,515)
Cash flows from financing activities			
(Repayments) / proceeds from bank borrowings -net		(86,232)	109,666
Interest paid		(43,073)	(47,595)
Dividend paid	19	(43,750)	-
Net cash (used in) / from financing activities		(173,055)	62,071
Net decrease in cash and cash equivalents		(32,740)	(14,585)
Cash and cash equivalents at the beginning of the period	10	94,784	121,536
Cash and cash equivalents at the end of the period	10	62,044	106,951

The notes set out on pages 9 to 25 form an integral part of these condensed consolidated interim financial information.

The independent auditors' report on review of these condensed consolidated interim financial information is set out on page 2.

Arkan Building Materials Company (ARKAN) PJSC

Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

1 Legal status and principal activities

Arkan Building Materials Company 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 (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 information include the performance and financial position as at and for the nine-months ended 30 September 2015 of the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interest in associates.

The principal activity, country of incorporation and operation, and ownership interest of the Company in the subsidiaries is set out below:

Subsidiary	Country of incorporation and operation	Ownership interest (%)		Principal activity
		2015	2014	
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.
Anabeeb Pipes Manufacturing Factories	UAE	100	100	Production and sale of pipes and plastic and paper bags.
Hobas Gulf LLC	UAE	100	100	Develop market of glass fiber reinforced polyster pipes and systems.
Arkan Stonevue LLC	UAE	100	100	Developing, manufacturing, distributing and selling hydraulic press large format commercial pavers.
Arkan Mining and Transportation	Oman	70	70	Production of mine lime stone.

On 10 November 2010, the General Secretariat of the Executive Council of Abu Dhabi approved the transfer of the equity shares of Anabeeb Pipes Manufacturing Factories (“Anabeeb”), to the Company in exchange for no consideration effective 1 July 2011.

On 27 May 2010, the Board of Directors approved the liquidation of Arkan Mining and Transportation. As of 30 September 2015, the liquidation is still to be completed.

On 23 June 2011, the Board of Directors approved a plan to secure a 70% investment in Dot Modern Oman, a mining company located in Oman. As at 30 September 2015, the acquisition is still to be completed.

Arkan Building Materials Company (ARKAN) PJSC

Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

1 Legal status and principal activities *(continued)*

On 30 April 2014, the Company acquired 100% control of Hobas Gulf LLC which was previously treated as an associate with a shareholding of 51%.

On 16 September 2014, the Company acquired 100% control of Arkan Stonevue LLC which was previously treated as a joint venture with a shareholding of 60%.

2 Basis of preparation

(a) *Statement of compliance*

The condensed consolidated interim financial information have been prepared in accordance with IAS 34 "Interim Financial Reporting" and also complies with the applicable requirements of the laws in the U.A.E. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial information as at and for the year ended 31 December 2014.

(b) *Basis of measurement*

These condensed consolidated interim financial information is prepared on the historical cost basis except for the following:

- Investments held at fair value through profit or loss which are measured at fair value.
- Investments held at fair value through other comprehensive income which are measured at fair value.

(c) *Functional and presentation currency*

These condensed consolidated interim financial information are presented in United Arab Emirates Dirham ('AED'), which is the Group's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

(d) *New and amended International Financial Reporting Standards (IFRS) in issue but not yet effective*

New and revised IFRS	Effective date
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Annual improvements 2012-2014 Cycle - various standards	1 January 2016
Improvements to IFRS 11, IFRS 10, IFRS 12, IAS 16, IAS 38, IAS 27, IAS 28	1 January 2016
Disclosure initiative – Amendments to IAS 1	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018

Management anticipates that these amendments will be applied in the consolidated financial statement for the initial period when they become effective. Management is currently assessing the impact from the adoption of the above new and amended standards on its financial position and performance.

Arkan Building Materials Company (ARKAN) PJSC

Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

3 Summary of significant accounting policies

The accounting policies and estimates used in the preparation of these condensed consolidated interim financial information are consistent with those in the audited annual consolidated financial information for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective 1 January 2015.

As required by the Securities and Commodities Authority (“SCA”) notification dated 12 October 2008, accounting policies relating to investments in associates and financial assets have been disclosed below.

(a) Investment in associates and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these condensed consolidated interim financial information using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 “Impairment of Assets” as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Arkan Building Materials Company (ARKAN) PJSC

Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

3 Summary of significant accounting policies *(continued)*

(a) Investments in associates and joint venture *(continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial information only to the extent of interests in the associate or joint venture that are not related to the Group.

(b) Financial assets

The Group has the following financial assets: 'cash and bank balances', 'loans and receivables', 'investments measured at fair value through profit or loss (FVTPL)', and 'investments measured at fair value through other comprehensive income (FVTOCI)'. The classification depends on the nature of the financial asset and is determined at the time of initial recognition.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Arkan Building Materials Company (ARKAN) PJSC

Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

3 Summary of significant accounting policies (continued)

(b) Financial assets (continued)

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Trade and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Allowance for impairment is made against loans and receivables when their recovery is in doubt. Loans and receivables are written off only when all possible courses of action to achieve recovery have proved unsuccessful.

Investments held at FVTPL

Financial assets are classified as at fair value through profit and loss (FVTPL) where the financial asset is either held for trading or designated as at FVTPL.

Investments in equity instruments are mandatorily classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition as described below.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Investments held at FVTOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in the net investment and other income' line item in the profit or loss.

Arkan Building Materials Company (ARKAN) PJSC

Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

3 Summary of significant accounting policies (continued)

(b) Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

(c) Impairment

(i) *Non-derivative financial assets*

Financial assets not classified as at fair value through profit or loss, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 30% to be significant and a period of nine months to be prolonged.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) *Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property and inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Arkan Building Materials Company (ARKAN) PJSC

Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

3 Summary of significant accounting policies (continued)

(c) Impairment (continue)

(ii) Non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

4 Accounting estimates and judgements

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the consolidated financial information for the year ended 31 December 2014.

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Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

5 Property, plant and equipment

During the nine months period ended 30 September 2015, the Group acquired assets with a cost of AED 37,003 thousand (30 September 2014: AED 57,199 thousand).

Out of the total assets acquired for the period, AED 14,919 thousand (30 September 2014: AED 32,125 thousand) represents construction cost of the new cement factory. This is stated net of gross profit amounting to Nil (30 September 2014: AED 2,212 thousand) arising from the sale of materials produced during the period which amounted to Nil (30 September 2014: AED 50,601 thousand).

The new cement factory has been pledged against a loan received from a bank for the construction of the factory.

Depreciation during the period amounts to AED 81,715 thousand (30 September 2014: AED 66,055 thousand).

6 Investment in associates

The movement in investment in associates is as follows:

	30 September 2015 (unaudited) AED'000	30 September 2014 (unaudited) AED'000	31 December 2014 (audited) AED'000
Balance at the beginning of the period/year Group's share of associates'	222,852	212,962	212,962
profits for the period/year-net	17,050	11,495	17,890
Dividends received during the period/year	(20,000)	(8,000)	(8,000)
Balance at the end of the period/year	<u>219,902</u>	<u>216,457</u>	<u>222,852</u>

Share of losses amounting to Nil (30 September 2014: AED 2,749 thousand) has been applied against the receivables from these associate and joint venture.

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Notes to the condensed consolidated interim financial information
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7 Investments

	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
<i>Non-current investments</i>		
Financial assets measured at fair value through other comprehensive income (FVTOCI)	146,920	146,920
Investment revaluation reserve	(70,029)	(69,975)
Capital distribution received	(2,185)	(2,185)
	<hr/>	<hr/>
Fair value	74,706	74,760
	<hr/>	<hr/>
<i>Current investments</i>		
Financial assets measured at fair value through profit or loss (FVTPL)	1,428	357
	<hr/>	<hr/>

The FVTOCI investment represents an investment of AED 144,735 thousand in a real estate fund within the UAE. The investment is fully under lien to secure a term loan.

During the period, the fair value of FVTOCI investment decreased by AED 54 thousand (31 December 2014: increase by AED 6,725 thousand).

Financial assets measured at fair value through other comprehensive income (FVTOCI) and financial assets measured at fair value through profit or loss (FVTPL) falls under fair value hierarchy level 2 and level 1 respectively.

8 Inventories

	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Raw materials	133,623	137,548
Work in progress	111,448	102,705
Finished goods	43,298	33,831
Goods in transit	167	145
Spare parts and consumable materials	95,223	80,929
	<hr/>	<hr/>
	383,759	355,158
Less: allowance for obsolescence	(12,219)	(11,917)
	<hr/>	<hr/>
	371,540	343,241
	<hr/>	<hr/>

Arkan Building Materials Company (ARKAN) PJSC

Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

8 Inventories (continued)

The movement in the allowance for inventory obsolescence is as follows:

	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Balance at the beginning of the period/year	11,917	11,892
Impairment loss recognised	302	25
	<hr/>	<hr/>
Balance at the end of the period/year	12,219	11,917
	<hr/> <hr/>	<hr/> <hr/>

9 Trade and other receivables

	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Trade receivables	433,648	393,698
Less: allowance for impairment	(19,390)	(17,813)
	<hr/>	<hr/>
	414,258	375,885
Advances to suppliers	23,853	15,561
Other receivables	37,419	24,107
	<hr/>	<hr/>
	475,530	415,553
	<hr/> <hr/>	<hr/> <hr/>

Arkan Building Materials Company (ARKAN) PJSC

Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

10 Cash and bank balances

	30 September 2015 (unaudited) AED'000	30 September 2014 (audited) AED'000	31 December 2014 (audited) AED'000
Cash in hand	264	309	178
Cash in bank and current accounts	61,780	106,642	91,353
Short term deposits	-	3,678	6,931
	<u>62,044</u>	<u>110,629</u>	<u>98,462</u>
<i>Deposits with maturity of more than 3 months from date of placement</i>			
Margin deposits	-	(3,678)	(3,678)
	<u>62,044</u>	<u>106,951</u>	<u>94,784</u>

The short term deposits bear an interest rate of 0.70% (2014: 0.75%) per annum. Margin deposits are held by banks against facilities provided.

11 Transactions and balances with related parties

Related parties comprise the shareholders, directors and key management of the Group and those entities in which they have the ability to control or exercise significant influence in financial and operational decisions. Balances with key related parties are as follows:

	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
<i>Amounts due from related parties</i>		
Dot Modern Oman	234	234
Emirates Steel Industries PJSC	234	176
Others	8	463
	<u>476</u>	<u>873</u>

Arkan Building Materials Company (ARKAN) PJSC

Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

11 Transactions and balances with related parties (continued)

	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
<i>Amount due to parent company</i>		
General Holding Corporation PJSC (SENAAT)		
Non-current	146,920	146,920
Current	12,088	11,907
	<u>159,008</u>	<u>158,827</u>

The non-current balance due to the parent company consists of an interest bearing loan. The loan is payable as a bullet payment on 31 December 2016 and bears interest at prevailing market rates.

Transactions with related parties during the period comprise:

	9 months ended 30 September	
	2015 (unaudited) AED'000	2014 (unaudited) AED'000
Key management compensation		
Short term benefits	5,777	4,995
Post-employment benefits	382	387
	<u>6,159</u>	<u>5,382</u>
Total	<u>6,159</u>	<u>5,382</u>

Arkan Building Materials Company (ARKAN) PJSC

Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

12 Borrowings

Bank borrowings are repayable as follows:

	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
<i>Non-current</i>		
After one year	1,168,178	1,302,744
<i>Current</i>		
Within one year	149,978	101,644

The details of the bank borrowings are stated as follows:

	Maturity	Outstanding at 30 September 2015			Outstanding at 31 December 2014		
		Current AED'000	Non- current AED'000	Total AED'000	Current AED'000	Non- current AED'000	Total AED'000
Term loan 1	2016	-	90,000	90,000	-	90,000	90,000
Term loan 2	2024	148,333	1,066,667	1,215,000	100,000	1,200,000	1,300,000
Term loan 3	2023	1,645	11,511	13,156	1,644	12,744	14,388
		<u>149,978</u>	<u>1,168,178</u>	<u>1,318,156</u>	<u>101,644</u>	<u>1,302,744</u>	<u>1,404,388</u>

Term loan 1 of AED 90 million was obtained from an Islamic bank to fund the Group's share in real estate fund. The original maturity of the loan was 2012. The Group renegotiated the terms of the loan in 2011 and agreed on a bullet payment by 2016. The loan is secured by the Group's share in the real estate fund and bears a fixed rate of profit.

Term loan 2 was obtained by the Group to finance the construction of the Group's new cement factory. In 2014, the Group restructured the existing loan of AED 1,400 million into a 10 year term loan of AED 1,200 million and a three year revolving facility of AED 200 million. The term loan is payable over 9 years semi-annually commencing from March 2016. The restructured loan carries interest at prevailing market rates. The unutilised portion of the revolving facility amounted to AED 185 million as at 30 September 2015 (31 December 2014: AED 100 million).

Term loan 3 of AED 14.8 million was obtained from a commercial bank for financing the cost of the new office of the Company. The loan is repayable in 36 equal quarterly installments from November 2014 at prevailing market rate.

Arkan Building Materials Company (ARKAN) PJSC

Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

13 Trade and other payables

	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Trade payables	220,339	196,974
Interest payable	3,818	3,779
Accruals and other payables	93,853	43,656
	<u>318,010</u>	<u>244,409</u>

14 Other income

Other income includes insurance claim amounting to AED 8,604 thousand (30 September 2014: AED 20,750 thousand) as a result of a fire at the Emirates Cement Factory ("ECF") on 19 March 2014. The Group had appointed an external expert to estimate the incurred and potential loss of revenue and is in negotiations with the insurance company for the settlement of the losses.

15 Contingencies and commitments

	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Bank guarantees and letters of credit	20,761	42,721
Capital commitments	312,354	330,562

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

16 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 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. Inter-segment pricing is determined on an arm's length basis.

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Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

16 Segment reporting (continued)

For the period ended 30 September 2015 (unaudited):

	Cement AED'000	Blocks AED'000	GRP pipes AED'000	PVC pipes AED'000	Bags AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
External revenues	518,340	52,454	31,061	46,505	18,012	-	-	666,372
Intersegment revenue	8,139	-	471	-	4,536	-	(13,146)	-
Profit for the period	67,904	(4,185)	4,770	1,266	936	10,320	-	81,011

As at 30 September 2015 (unaudited):

	Cement AED'000	Blocks AED'000	GRP pipes AED'000	PVC pipes AED'000	Bags AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
Total assets	2,524,935	216,662	93,606	121,364	51,126	1,528,068	(843,814)	3,691,947
Total liabilities	218,882	134,878	24,148	15,235	36,271	2,184,566	(749,273)	1,864,707

As at 30 September 2015, included within unallocated assets is AED 230,740 thousand (31 December 2014: AED 206,154 thousand) being construction work in progress, which primarily relates to dry mortar and phase 2 and phase 3 of the new cement factory. All construction work in progress will be allocated to the respective segments once completed.

Arkan Building Materials Company (ARKAN) PJSC

Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

16 Segment reporting (continued)

For the period ended 30 September 2014 (unaudited):

	Cement AED'000	Blocks AED'000	GRP pipes AED'000	PVC pipes AED'000	Bags AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
External revenues	390,272	41,317	26,234	45,419	28,524	-	-	531,766
Intersegment revenue	8,822	2,476	-	-	-	-	(11,298)	-
Profit/(loss) for the period	46,968	(1,904)	(908)	(464)	2,134	9,190	-	55,016

As at 31 December 2014 (audited):

	Cement AED'000	Blocks AED'000	GRP pipes AED'000	PVC pipes AED'000	Bags AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
Total assets	2,469,921	221,729	98,610	115,870	49,649	1,548,092	(806,331)	3,697,540
Total liabilities	274,521	141,899	21,592	21,354	27,730	2,122,472	(702,061)	1,907,507

Arkan Building Materials Company (ARKAN) PJSC

Notes to the condensed consolidated interim financial information
for the period ended 30 September 2015

17 Seasonality of results

No income of a seasonal nature was recorded in the condensed consolidated interim statement of profit or loss for the nine-month period ended 30 September 2015 and 30 September 2014.

18 Basic and diluted earnings per share attributable to Owners of the Company

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

	3 months ended 30 September		9 months ended 30 September	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Profit attributable to owners of the Company (AED'000)	<u>23,181</u>	<u>24,920</u>	<u>81,011</u>	<u>55,016</u>
Weighted average number of shares in issue (thousands of shares)	<u>1,750,000</u>	<u>1,750,000</u>	<u>1,750,000</u>	<u>1,750,000</u>
Earnings per share (AED)	<u>0.013</u>	<u>0.014</u>	<u>0.046</u>	<u>0.031</u>

There were no potentially dilutive securities as at 30 September 2015 or 30 September 2014, and accordingly, diluted earnings per share are the same as basic earnings per share.

19 Dividend

On 29 April 2015 the Board of Directors approved and declared a dividend of AED 43,750 thousand representing 2.5% of the issued share capital (30 September 2014: Nil) to the existing shareholders as at 10 May 2015.

20 Comparative information

Certain comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in the condensed consolidated interim financial information.

21 Date of authorisation for issue

The condensed consolidated interim financial information was approved by the Company's Board of Directors and authorised for issue on 29 October 2015.