ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC

Reports and condensed consolidated interim financial statements for the nine months period ended 30 September 2018

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Board of Directors' report to the shareholders for the nine months period ended 30 September 2018

On behalf of Arkan Building Materials Company (Arkan) PJSC's Board of Directors, I am pleased to present the Board of Directors' report for the nine months period ended 30 September 2018, together with the reviewed condensed consolidated interim financial statements for the period then ended.

Arkan Building Materials Company (Arkan) PJSC (the "Company") and its subsidiaries (together referred to as, "Arkan" or the "Group") achieved revenue of AED 677 million in the first nine months of 2018, flat compared to the first nine months of 2017. Arkan continued to see strong revenue growth from its Pipes, Bags, Blocks and Dry Mortar businesses. This revenue growth offset the decline in the sales of Clinker and the tough pricing environment in the UAE for cement. Third quarter revenues were impacted by expected summer project slowdowns and the long Eid Holiday.

Over the course of the nine months period, Arkan saw an increased profit contribution from both the Pipes and Blocks Divisions. As previously communicated this year regarding the uncertainty of the continuation of Arkan's own quarry, Al Ain Cement Factory started blending a portion of imported limestone from Oman with its own limestone resulting in an additional cost of AED 15 million for the period. This impacted negatively its profits of the period compared to last year's profit. Results were also impacted by share of losses of the associates and the additional land lease rental costs at Al Ain Cement Factory and Anabeeb. Overall, net profit for the Group for the nine months period ended 30 September 2018 was AED 10 million, compared with AED 36 million over the same period in 2017.

Review of operations:

Cement Operations

Arkan's Cement segment reported revenue of AED 420.78 million for the nine months period ended 30 September 2018, compared to AED 460.51 million in the same period of 2017. Profit from this segment during the same period of 2018 equaled to AED 20.72 million as compared to AED 45.14 million in 2017. The change in profit is due to increase in costs of limestone, energy costs and land lease rental costs. Despite the increase in costs, the Cement segment maintained high gross profit margin of 30% by improving the efficiency in energy consumption and securing raw materials at more competitive prices.

Concrete Blocks and Dry Mortar

Revenue from Arkan's Blocks segment increased to AED 128.81 million for the nine months period ended 30 September 2018, compared to AED 116.75 million in the same period of 2017. Profit from this segment for the period amounted to AED 9.17 million as compared to AED 8.53 million in the same period last year. The Emirates Blocks Factory increased its revenues and profits by securing major projects across the UAE.

GRP Pipes

Revenue from Arkan's GRP Pipes segment reached AED 48.67 million for the nine months period ended 30 September 2018, compared to AED 37.38 million in the same period of 2017. Profit from this segment increased to AED 7.95 million in the first nine months of 2018 compared to AED 6.59 million during the same period of 2017, mainly resulting from the emphasis on selling of high margin products.

PVC Pipes

Arkan's PVC Pipes segment sales revenue was AED 56.56 million for the nine months period ended of 30 September 2018, compared to AED 47.84 million in the same period of 2017. Profit from this segment significantly increased to AED 2.81 million for the period compared to AED 543 thousand during the same period of 2017, due to higher sales volumes.

Board of Directors' report to the shareholders
for the nine months period ended 30 September 2018 (continued)

Review of operations (continued)

Bags
Arkan's Bags segment sales revenue was AED 22.10 million for the nine months period ended 30 September 2018, compared to AED 15.08 million in the same period of 2017. Profit from this segment amounted to AED 1.94 million for the period, similar to the profit in the same period of 2017.

Liquidity
The Group's cash and cash equivalents amounted to AED 31.96 million as at 30 September 2018 after servicing the long terms debts due in September.

Total assets and shareholders' equity
The total assets of the Group amounted to AED 3.36 billion as at 30 September 2018. The shareholders' equity amounted to AED 1.74 billion as at 30 September 2018.

Investments
The share of losses of associates for the nine months period ended 30 September 2018 amounting to AED 931 thousand compared to profit of AED 4.69 million in the same period in 2017. The Company received cash dividends of AED 3.2 million from associates during the period.

On behalf of the Board of Directors:

Jamal Salem Al Dhaheri
Chairman
30 October 2018

Deloitte.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Arkan Building Materials Company (ARKAN) PJSC
Abu Dhabi
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Arkan Building Materials Company (ARKAN) PJSC (the "Company") and its subsidiaries (together with the Company, the "Group") as of 30 September 2018 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management of the Group is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard IAS 34, "*Interim Financial Reporting (IAS 34)*". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Other matter

The Group's consolidated financial statements as at 31 December 2017 were audited by another auditor whose report dated 25 February 2018 expressed an unmodified opinion thereon. The prior period comparative amounts in the condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows and related explanatory information for the nine-month period ended 30 September 2017, were reviewed by another auditor who issued an unmodified conclusion dated 29 October 2017.

Deloitte & Touche (M.E.)

Obada Alkowatly
Registration No. 1056
30 October 2018
Abu Dhabi, United Arab Emirates

Condensed consolidated statement of financial position as at 30 September 2018

	Notes	30 September 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	**1,977,681**	2,019,031
Goodwill		**128,430**	128,430
Other intangible assets		**104,352**	110,698
Investment in associates	5	**204,905**	209,036
Total non-current assets		**2,415,368**	2,467,195
Current assets			
Inventories	6	**382,237**	348,049
Trade and other receivables	7	**507,463**	499,372
Prepayments		**26,123**	26,163
Due from related parties	9	**863**	961
Cash and cash equivalents	8	**31,964**	67,076
Total current assets		**948,650**	941,621
Total assets		**3,364,018**	3,408,816
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**1,750,000**	1,750,000
Statutory reserve		**75,502**	75,502
Capital reserve		**3,783**	3,783
Other reserves		**(20,458)**	(20,458)
Accumulated losses		**(66,354)**	(34,957)
Total equity		**1,742,473**	1,773,870

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

Condensed consolidated statement of financial position
as at 30 September 2018 (continued)

	Notes	30 September 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Non-current liabilities			
Borrowings	10	673,778	808,211
Loan from a related party	9	36,737	55,106
Provision for employees' end of service benefit		55,292	52,768
Total non-current liabilities		765,807	916,085
Current liabilities			
Borrowings	10	179,844	144,844
Trade and other payables	11	623,373	521,860
Due to a related party	9	15,815	15,451
Loan from a related party	9	36,706	36,706
Total current liabilities		855,738	718,861
Total liabilities		1,621,545	1,634,946
Total equity and liabilities		3,364,018	3,408,816

Jamal Salem Al Dhaheri
Chairman

Abdellatif Sfaxi
Chief Executive Officer

Faizal Amod
Chief Financial Officer

Condensed consolidated statement of profit or loss for the nine months period ended 30 September 2018

	Notes	3 months ended 30 September		9 months ended 30 September	
		2018	2017	**2018**	2017
		AED'000	AED'000	**AED'000**	AED'000
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue		**203,263**	217,957	**676,896**	677,560
Direct costs		**(160,112)**	(165,672)	**(535,603)**	(518,574)
Gross profit		**43,151**	52,285	**141,293**	158,986
Selling and distribution expenses		**(11,304)**	(8,679)	**(27,826)**	(24,756)
General and administrative expenses		**(23,176)**	(23,374)	**(68,288)**	(68,304)
Other income		**1,574**	3,124	**4,454**	6,547
Share of (loss)/profit of associates	5	**(2,338)**	1,746	**(931)**	4,691
Finance costs		**(12,972)**	(13,948)	**(38,537)**	(41,038)
Finance income		**28**	13	**43**	55
(Loss)/profit for the period		**(5,037)**	11,167	**10,208**	36,181
Basic and diluted (loss)/earnings per share	14	**(0.003)**	0.006	**0.006**	0.021

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

Condensed consolidated statement of profit or loss and other comprehensive income for the nine months period ended 30 September 2018

	3 months ended 30 September		9 months ended 30 September	
	2018	2017	**2018**	2017
	AED'000	AED'000	**AED'000**	AED'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss)/profit for the period	**(5,037)**	11,167	**10,208**	36,181
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income for the period	**(5,037)**	11,167	**10,208**	36,181

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

Condensed consolidated statement of changes in equity for the nine months period ended 30 September 2018

	Share capital AED'000	Statutory reserve AED'000	Capital reserve AED'000	Investment revaluation reserve AED'000	Other reserves AED'000	Retained earnings/ accumulated (losses) AED'000	Total equity AED'000
As at 1 January 2017 (audited)	1,750,000	72,485	3,783	(70,942)	(12,788)	8,829	1,751,367
Total comprehensive income for the period	-	-	-	-	-	36,181	36,181
Disposal of financial assets measured at FVTOCI	-	-	-	70,942	-	(70,942)	-
As at 30 September 2017 (unaudited)	1,750,000	72,485	3,783	-	(12,788)	(25,932)	1,787,548
As at 1 January 2018 (audited)	1,750,000	75,502	3,783	-	(20,458)	(34,957)	1,773,870
Impact of application of IFRS 9 and IFRS 15 (Note 2)	-	-	-	-	-	(41,605)	(41,605)
As at 1 January 2018 – as restated	1,750,000	75,502	3,783	-	(20,458)	(76,562)	1,732,265
Total comprehensive income for the period	-	-	-	-	-	10,208	10,208
As at 30 September 2018 (unaudited)	**1,750,000**	**75,502**	**3,783**	-	**(20,458)**	**(66,354)**	**1,742,473**

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

Condensed consolidated statement of cash flows for the nine months period ended 30 September 2018

	Notes	9 months ended 30 September 2018 AED'000 (unaudited)	2017 AED'000 (unaudited)
Cash flows from operating activities			
Profit for the period		**10,208**	36,181
Adjustments for:			
Depreciation of property, plant and equipment	**4**	**60,839**	59,841
Amortisation of other intangible assets		**6,346**	6,346
Impairment charge on trade receivables	**7**	**7,283**	5,044
Allowance for impairment of inventories, net	**6**	**1,126**	(1,615)
Provision for employees' end of service benefit		**3,125**	4,094
Share of (loss)/profit from associates	**5**	**931**	(4,691)
Finance costs		**38,537**	41,038
Finance income		**(43)**	(55)
Operating cash flows before movements in working capital		**128,352**	146,183
Movements in working capital:			
(Increase)/decrease in inventories		**(35,314)**	5,387
Increase in trade and other receivables		**(56,979)**	(36,782)
Increase in prepayments		**40**	3,171
Decrease/(increase) in amounts due from related parties		**98**	(1,049)
Increase in trade and other payables		**97,297**	103,348
Increase in amounts due to a related party		**364**	247
Cash generated from operations		**133,858**	220,505
End of service benefits paid		**(601)**	(12,121)
Net cash from operating activities		**133,257**	208,384
Cash flows from investing activities			
Payments for property, plant and equipment	**4**	**(19,489)**	(20,186)
Dividends received from associates	**5**	**3,200**	9,601
Interest received		**43**	55
Net cash used in investing activities		**(16,246)**	(10,530)
Cash flows from financing activities			
Proceeds from borrowings		**45,000**	-
Repayment of borrowings		**(144,433)**	(155,641)
Finance costs paid		**(34,321)**	(35,397)
Repayment of loan from a related party		**(18,369)**	(18,370)
Net cash used in financing activities		**(152,123)**	(209,408)
Net decrease in cash and cash equivalents		**(35,112)**	(11,554)
Cash and cash equivalents at the beginning of the period		**67,076**	30,915
Cash and cash equivalents at the end of the period	**8**	**31,964**	19,361

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

Notes to the condensed consolidated interim financial statements for the nine months period ended 30 September 2018

1 General information

Arkan Building Materials Company (ARKAN) PJSC ("Arkan" or the "Company") was incorporated in Abu Dhabi, United Arab Emirates ("UAE") as a Public Joint Stock Company pursuant to Ministerial Resolution No. 228 for the year 2006. General Holding Corporation PJSC (SENAAT) (the "Parent Company") owns 51% of the Company's shares.

The principal activities of the Company include operating, trading and investing in industrial projects and commercial companies involved in the building materials sector.

These condensed consolidated interim financial statements include the performance and financial position as at and for the nine-months period ended 30 September 2018 of the Company and its subsidiaries (collectively referred to as the "Group").

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

Name of subsidiary	Country of incorporation	Proportion of ownership interest and voting held by the Group		Principal activity
		30 September 2018	31 December 2017	
Emirates Blocks Factory	UAE	100%	100%	Production and sale of cement blocks.
Emirates Cement Factory	UAE	100%	100%	Production and sale of packed and bulk cement.
Al Ain Cement Factory	UAE	100%	100%	Production and sale of packed and bulk cement.
Anabeeb Pipes Manufacturing Factories	UAE	100%	100%	Production and sale of pipes, manufacturing pipes, plastic and paper bags.

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2018, have been applied in these consolidated condensed interim financial statements:

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's condensed consolidated interim financial statements.

Amendments to IAS 40 *Investment Property* to clarify transfers of property to, or from, investment property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's condensed consolidated interim financial statements.

Amendments to IFRS 4 *Insurance Contracts* relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standards

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On application, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. These amendments are not relevant to the Group.

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

Amendments to IAS 28 *Investments in Associates and Joint Ventures* - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's condensed consolidated interim financial statements.

IFRS 15 *Revenue from Contracts with Customers*

In the current period, the Group has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016). IFRS 15 introduces a 5-step approach to revenue recognition.

The Group has applied IFRS 15 in accordance with the modified retrospective transitional approach without using the practical expedients, with effect of initially applying this standard recognised at the date of initial application, i.e. 1 January 2018. Accordingly, information presented for 30 September 2017 and 31 December 2017 has not been restated. The application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

IFRS 9 *Financial Instruments*

The Group applied IFRS 9 *Financial Instruments (2009)* in advance of its effective date of 1 January 2018.

In the current year, the Group applied the IFRS 9 (as revised in July 2014) and the related consequential amendments to other IFRSs. The Group already complied on the requirements of IFRS 9 with regard to classification and measurement of financial assets and financial liabilities when the Group early applied IFRS 9.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Notes to the condensed consolidated interim financial statements for the nine months period ended 30 September 2018 (continued)

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

IFRS 9 *Financial Instruments* (continued)

Impairment of financial assets (continued)

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on i) debt investments subsequently measured at amortised cost or at FVTOCI, ii) lease receivables, iii) contract assets and iv) loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Group considers a financial asset in default when contractual payment are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

As at 1 January 2018, management of the Group reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 January 2018.

Items existing as at 1 January 2018 that are subject to the impairment provisions	Credit risk attributes at 1 January 2018	Cumulative additional loss allowance recognised on 1 January 2018 AED'000 (unaudited)
Due from related parties	All due from related parties are assessed to have low credit risk at 1 January 2018 as they are either owned by the Group or the shareholders of the Group.	-
Trade and other receivables	The Group applied the simplified approach and recognised lifetime ECL for these assets.	**41,605**
Cash and cash equivalents	All bank balances are assessed to have low credit risk at 1 January 2018 as they have held with reputable local banking institutions.	-
		41,605

As illustrated in the above table, the application of IFRS 9 (2014) resulted recognition of significant additional loss allowance as at 1 January 2018.

Notes to the condensed consolidated interim financial statements for the nine months period ended 30 September 2018 (continued)

3 Summary of significant accounting policies

Statement of compliance

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34, "*Interim Financial Reporting*" and also comply with the applicable requirements of the laws in the U.A.E. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2017. In addition, results for nine months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

Basis of preparation

These condensed consolidated interim financial statements are presented in UAE Dirhams (AED) which is the functional currency of the Group and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

These condensed consolidated interim financial statements have been prepared on the historical cost basis.

The accounting policies, significant judgments, estimates and assumptions applied by the Group in these condensed consolidated interim financial statements are consistent with those in the audited annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective 1 January 2018.

4 Property, plant and equipment

During the nine months period ended 30 September 2018, the Group acquired assets with a cost of AED 19,489 thousand (30 September 2017: AED 20,186 thousand). A cement factory has been pledged against a loan received from a bank for the construction of the factory.

Depreciation charge for the period amounted to AED 60,839 thousand (30 September 2017: AED 59,841 thousand).

5 Investment in associates

The movement in investment in associates is as follows:

	30 September 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Balance at the beginning of the period/year	**209,036**	212,406
Share of (loss)/profit of associates for the period/year	**(931)**	6,231
Dividends received during the period/year	**(3,200)**	(9,601)
Balance at the end of the period/year	**204,905**	209,036

Notes to the condensed consolidated interim financial statements for the nine months period ended 30 September 2018 (continued)

6 Inventories

	30 September 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Raw materials	**135,089**	98,506
Work in progress	**117,537**	140,263
Finished goods	**55,191**	41,926
Goods in transit	**58**	58
Spare parts and consumable materials	**132,697**	148,282
Transfer of spare parts to property, plant and equipment	-	(23,777)
	440,572	405,258
Less: allowance for obsolescence of inventories	**(58,335)**	(57,209)
	382,237	348,049

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

	30 September 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Balance at the beginning of the period/year	**57,209**	57,891
Reversal for the period/year	-	(800)
Charge for the period/year	**1,126**	118
Balance at the end of the period/year	**58,335**	57,209

Notes to the condensed consolidated interim financial statements for the nine months period ended 30 September 2018 (continued)

7 Trade and other receivables

	30 September 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Trade receivables	**543,661**	519,025
Other receivables	**28,268**	3,068
Less: allowance for impairment	**(78,970)**	(30,082)
	492,959	492,011
Advances to suppliers	**14,504**	7,361
	507,463	499,372

The movement in the allowance for impairment is as follows:

	30 September 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Balance at the beginning of the period/year	**30,082**	60,074
Impact of application of IFRS 9 (Note 2)	**41,605**	-
Write off during the period/year	-	(34,419)
Charge for the period/year	**7,283**	4,427
Balance at the end of the period/year	**78,970**	30,082

8 Cash and cash equivalents

	30 September 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Cash in hand	**209**	169
Cash in bank and current accounts	**31,755**	66,907
	31,964	67,076

Notes to the condensed consolidated interim financial statements for the nine months period ended 30 September 2018 (continued)

9 Related parties

In the ordinary course of business, the Group enters into transactions at agreed terms and conditions which are carried out on commercially agreed terms, with other business enterprises or individuals that fall within the definition of a related party contained in International Accounting Standard 24. Related parties comprise shareholders, directors, key management staff and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

Related party balances are as follows:

	30 September 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Amounts due from related parties		
Emirates Steel Industries PJSC – sister concern	**830**	953
Others	**33**	8
	863	961
Amounts due to a related party		
General Holding Corporation PJSC (SENAAT)	**15,815**	15,451
Loan from a related party – the Parent Company		
Non-Current	**36,737**	55,106
Current	**36,706**	36,706
	73,443	91,812

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

	9 months ended 30 September	
	2018 AED'000 (unaudited)	2017 AED'000 (unaudited)
Interest on loan from the Parent Company	**2,719**	3,443
Sales to a related party – Emirates Steel Industries PJSC, sister concern	**2,751**	1,859
Repayment of loan from the Parent Company	**18,369**	18,370
Key management compensation		
- Short term benefits	**6,243**	6,730
- Post-employment benefits	**507**	702
	6,750	7,432

Notes to the condensed consolidated interim financial statements for the nine months period ended 30 September 2018 (continued)

10 Borrowings

Bank borrowings are repayable as follows:

	30 September 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Non-current		
After one year	**673,778**	808,211
Current		
Within one year	**179,844**	144,844

The details of the bank borrowings are stated as follows:

		30 September 2018 (unaudited)			31 December 2017 (audited)		
	Maturity	Current AED'000	Non-current AED'000	Total AED'000	Current AED'000	Non-current AED'000	Total AED'000
Term loan 1	2024	133,200	667,200	800,400	133,200	800,400	933,600
Term loan 2	2023	1,644	6,578	8,222	1,644	7,811	9,455
Short term loan 1	2018	30,000	-	30,000	10,000	-	10,000
Short term loan 2	2018	15,000	-	15,000	-	-	-
		179,844	673,778	853,622	144,844	808,211	953,055

Term loan 1 was obtained by the Group to finance the construction of the Group's new cement factory. During 2014, the Group restructured the existing loan of AED 1,400 million into a 10-year term loan of AED 1,200 million. The term loan is payable over 9 years semi-annually commencing from March 2016. The restructured loan carries variable rate of interest. The unutilised portion of the revolving facility amounted to AED 200 million as at 30 September 2018 (31 December 2017: AED 200 million).

Term loan 2 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 and carries variable rate of interest.

Short term loan 1 of AED 30 million was obtained from a commercial bank for financing the working capital of the Company. The loan is repayable in 30 days and 90 days and carries variable rate of interest.

Short term loan 2 of AED 15 million was obtained from a commercial bank for financing the working capital of the Company. The loan is repayable in 60 days and carries variable rate of interest.

Notes to the condensed consolidated interim financial statements for the nine months period ended 30 September 2018 (continued)

11 Trade and other payables

	30 September 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Trade payables	**474,117**	419,644
Accruals	**78,286**	71,518
Interest payable	**8,099**	3,883
Other payables	**62,871**	26,815
	623,373	521,860

12 Contingencies and commitments

	30 September 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Bank guarantees and letters of credit	**32,359**	37,416
Capital commitments	**4,640**	10,385

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

13 Segment reporting

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Board of Directors review internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

- Cement segment, which includes production and sale of cement;
- Blocks segment, which includes production and distribution of blocks;
- Pipes segments, which include the production and sale of Poly-Vinyl Chloride ("PVC") Pipes and Glass Reinforced Polyester ("GRP") Pipes; and
- Bags segment, which includes production and sale of paper bags.

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

Notes to the condensed consolidated interim financial statements for the nine months period ended 30 September 2018 (continued)

13 Segment reporting (continued)

For the period ended 30 September 2018 (unaudited):

	Cement AED'000	Blocks AED'000	GRP pipes AED'000	PVC pipes AED'000	Bags AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
Revenue from external customers	420,780	128,806	48,665	56,555	22,090	-	-	676,896
Intersegment revenue	23,956	4,741	-	-	3,563	-	(32,260)	-
Timing of revenue recognition								
At a point in time	420,780	128,806	48,665	56,555	22,090	-	-	676,896
Over time	-	-	-	-	-	-	-	-
Finance cost	38,190	-	-	-	-	347	-	38,537
Depreciation and amortization	42,123	10,111	4,162	1,458	167	9,164	-	67,185
Share of loss of associates	-	-	-	-	-	(931)	-	(931)
Profit/(loss) for the period	20,724	9,170	7,946	2,806	1,942	(32,380)	-	10,208

Notes to the condensed consolidated interim financial statements for the nine months period ended 30 September 2018 (continued)

13 Segment reporting (continued)

As at 30 September 2018 (unaudited):

	Cement AED'000	Blocks AED'000	GRP pipes AED'000	PVC pipes AED'000	Bags AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
Total assets	**3,760,043**	**414,023**	**91,880**	**154,245**	**31,796**	**1,450,499**	**(2,538,468)**	**3,364,018**
Total liabilities	**1,322,931**	**225,991**	**22,429**	**33,734**	**57,403**	**2,453,927**	**(2,494,870)**	**1,621,545**

For the period ended 30 September 2017 (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	460,510	116,745	37,380	47,844	15,081	-	-	677,560
Intersegment revenue	20,987	-	-	-	5,874	-	(26,861)	-
Finance cost	40,636	-	-	-	-	402	-	41,038

Notes to the condensed consolidated interim financial statements for the nine months period ended 30 September 2018 (continued)

13 Segment reporting (continued)

For the period ended 30 September 2017 (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
Depreciation and amortization	41,716	9,583	4,085	1,502	128	9,173	-	66,187
Share of profit of associates	-	-	-	-	-	4,691	-	4,691
Profit/(loss) for the period	45,140	8,529	6,593	543	2,041	(26,665)	-	36,181

As at 31 December 2017 (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	3,477,631	387,937	93,812	143,037	47,130	1,390,507	(2,131,238)	3,408,816
Total liabilities	1,053,557	201,641	27,182	27,758	56,077	2,345,078	(2,076,347)	1,634,946

Notes to the condensed consolidated interim financial statements for the nine months period ended 30 September 2018 (continued)

14 Basic and diluted (loss)/earnings per share

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

	3 months ended 30 September		9 months ended 30 September	
	2018 (unaudited)	2017 (unaudited)	**2018 (unaudited)**	2017 (unaudited)
(Loss)/profit for the period (AED'000)	**(5,037)**	11,167	**10,208**	36,181
Weighted average number of shares in issue (thousands of shares)	**1,750,000**	1,750,000	**1,750,000**	1,750,000
(Loss)/earnings per share (AED)	**(0.003)**	0.006	**0.006**	0.021

There were no potentially dilutive securities as at 30 September 2018 or 30 September 2017, and accordingly, diluted earnings per share are the same as basic earnings per share.

15 Seasonality of results

No significant income of a seasonal nature was recorded in the condensed consolidated statement of profit or loss for the nine-month period ended 30 September 2018 and 2017.

16 Investment in Abraaj Holding

During the period and as at 30 September 2018, the Group was not involved in any transaction or had any business relationships with Abraaj Group or its affiliates.

17 Approval of condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved by management and authorised for issue on 30 October 2018.