Arkan Building Materials Company (ARKAN) PJSC

Condensed consolidated interim financial information

30 June 2015

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

Arkan Building Materials Company (ARKAN) PJSC

Condensed consolidated interim financial information

Contents	*Page*

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

Overall, Arkan's revenue in the first half (H1) of 2015 increased by 21% to AED 444 million, compared to AED 366.63 million in H1 2014. The Group's profit for the same period significantly increased by 92% to AED 57.83 million compared to AED 30.10 million in H1 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 334.37 million in H1 2015, compared to AED 261.97 million in the first half of 2014. Profit from this segment in H1 2015 equaled 47.70 million as compared to AED 21.66 million in H1 2014. Arkan's new Al Ain Cement Factory (ACF) contributed revenue of AED 271.41 million and a profit of AED 42.15 million during H1 2015 as compared to a revenue of AED 219.12 million and a profit of AED 14.23 million from its commercial production in March 2014 till June 2014.

Concrete Blocks:

Revenue from Arkan's Blocks segment reached AED 36.56 million in H1 2015, compared to AED 32.54 million in H1 2014. Loss from this segment in H1 2015 is AED 1.40 million as compared to a profit of AED 1.85 million in H1 2014 due to higher depreciation cost resulting from capitalization of the new blocks factory, the benefit of which will be reaped in the coming quarters.

GRP Pipes:

Revenue from Arkan's GRP Pipes segment reached AED 27.39 million in H1 2015, compared to AED 19.76 million in H1 2014. Profit from this segment amounted to AED 3.97 million in H1 2015 compared to AED 165 thousand during H1 2014. The increase in sales volumes by 45% in H1 2015 resulted in the significant increase in profit.

PVC Pipes:

Arkan's PVC Pipes segment sales revenue was AED 31.80 million in H1 2015, compared to AED 31.64 million in H1 2014. Profit from this segment amounted to AED 925 thousand at the end of H1 2015 compared to AED 169 thousand in H1 2014 due to lower raw material prices.

Bags:

Arkan's Bags segment sales revenue was AED 13.89 million in H1 2015, compared to AED 20.72 million in H1 2014. Profit from this segment amounted to AED 834 thousand at the end of 30 June 2015, compared to AED 1.71 million in H1 2014 due to lower export sales volumes to countries affected by conflict.

Liquidity

The Group's cash and cash equivalents amounted to AED 54.15 million at the end of H1 2015.

Total Assets & Shareholders' Equity

The total assets of the Group reached AED 3.71 billion at the end of H1 2015. The value of shareholders' equity increased to AED 1.80 billion as of June 30, 2015, compared to AED 1.79 billion as of 31 December 2014.

Investments

The fair value of the shares portfolio, as at 30 June 2015, was AED 357 thousand. The value of the investment in Emirates Real Estate Fund was AED 74.76 million at the end of 30 June 2015 compared to the same value as at 31 December 2014. The share of profit from associates at the end of the first half of 2015 was AED 10.67 million compared to AED 4.12 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:

Jassem Saleh Busaibe
Vice Chairman
28 July 2015

ص.ب. 40307، أبوظبي
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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 June 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 June 2015;
- the condensed consolidated interim statement of profit or loss for the six-month period ended 30 June 2015;
- the condensed consolidated interim statement of comprehensive income for the six-month ended 30 June 2015;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2015;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 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 June 2015 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

28 JUL 2015

Munther Dajani
Registration Number 268
Abu Dhabi, United Arab Emirates

Arkan Building Materials Company (ARKAN) PJSC

Condensed consolidated interim statement of financial position

As at 30 June 2015

	Notes	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Assets			
Non-current assets			
Property, plant and equipment	*5*	**2,206,740**	2,244,868
Goodwill		**128,430**	128,430
Other intangible assets		**133,125**	137,431
Investment in associates	*6*	**213,523**	222,852
Financial assets measured at fair value through other comprehensive income (FVTOCI)	*7*	**74,760**	74,760
Total non-current assets		**2,756,578**	2,808,341
Current assets			
Financial assets measured at fair value through profit or loss (FVTPL)	*7*	**357**	357
Inventories	*8*	**393,020**	343,241
Trade and other receivables	*9*	**477,413**	415,553
Prepayments		**29,949**	30,713
Amounts due from related parties	*11*	**436**	873
Cash and bank balances	*10*	**54,152**	98,462
Total current assets		**955,327**	889,199
Total assets		**3,711,905**	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*	**(69,975)**	(69,975)
Retained earnings		**57,625**	43,545
Net equity attributable to Equity owners of the Company		**1,803,806**	1,789,726
Non-controlling interest		**307**	307
Net equity		**1,804,113**	1,790,033

Arkan Building Materials Company (ARKAN) PJSC

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

As at 30 June 2015

	Notes	**30 June 2015 (unaudited) AED'000**	31 December 2014 (audited) AED'000
Non-current liabilities			
Borrowings	*12*	**1,235,256**	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		**32,770**	30,883
Total non-current liabilities		**1,414,946**	1,503,547
Current liabilities			
Borrowings	*12*	**128,311**	101,644
Trade and other payables	*13*	**306,484**	244,409
Amounts due to related parties	*11*	**12,051**	11,907
Deferred government grant		**46,000**	46,000
Total current liabilities		**492,846**	403,960
Total liabilities		**1,907,792**	1,907,507
Total equity and liabilities		**3,711,905**	3,697,540

Jassem Saleh Busaibe
Vice 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.

Arkan Building Materials Company (ARKAN) PJSC

Condensed consolidated interim statement of profit or loss (unaudited)

for the period ended 30 June 2015

	Notes	**3 months ended 31 March**		**6 months ended 30 June**	
		2015	2014	**2015**	2014
		AED'000	AED'000	**AED'000**	AED'000
Revenue		**220,136**	129,330	**443,999**	366,625
Direct costs		**(166,598)**	(103,174)	**(333,135)**	(289,630)
Gross profit		**53,538**	26,156	**110,864**	76,995
Selling and distribution expenses		**(5,811)**	(6,002)	**(12,456)**	(11,576)
General and administrative expenses		**(28,341)**	(17,612)	**(56,797)**	(42,982)
Other income	*14*	**7,730**	676	**9,101**	9,493
Share of profits of associates (net)	*6*	**4,778**	1,631	**10,671**	4,115
Income from government grant		**11,500**	11,500	**23,000**	23,000
Dividend income		**2,168**	1,923	**2,180**	1,928
Interest expenses		**(15,116)**	(5,048)	**(28,886)**	(31,218)
Interest income		**60**	80	**153**	341
Profit for the period		**30,506**	13,304	**57,830**	30,096
Profit for the period attributable to:					
Owners of the Company		**30,506**	13,304	**57,830**	30,096
		30,506	13,304	**57,830**	30,096
Basic and diluted earnings per share attributable to owners of the Company (AED)	*18*	**0.017**	0.008	**0.033**	0.017

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Arkan Building Materials Company (ARKAN) PJSC

Condensed consolidated interim statement of comprehensive income (unaudited)

for the period ended 30 June 2015

	Notes	3 months ended 31 March		6 months ended 30 June	
		2015	2014	**2015**	2014
		AED'000	AED'000	**AED'000**	AED'000
Profit for the period		**30,506**	13,304	**57,830**	30,096
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Net change in fair value of investment in equity instruments measured at FVTOCI	7	-	2,833	-	2,833
Total comprehensive income for the period		**30,506**	16,137	**57,830**	32,929
Total comprehensive income for the period attributable to:					
Equity owners of the Company		**30,506**	16,137	**57,830**	32,929
		30,506	16,137	**57,830**	32,929

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 June 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	-	-	-	-	30,096	30,096	-	30,096
Other comprehensive income for the period	-	-	-	2,833	-	2,833	-	2,833
Total comprehensive income for the period	-	-	-	2,833	30,096	32,929	-	32,929
Balance at 30 June 2014 (unaudited)	1,750,000	54,372	3,783	(73,867)	1,629	1,735,917	307	1,736,224
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	-	-	-	-	57,830	57,830	-	57,830
Dividend paid (refer note 19)	-	-	-	-	(43,750)	(43,750)	-	(43,750)
Total comprehensive income for the period	-	-	-	-	14,080	14,080	-	14,080
Balance at 30 June 2015 (unaudited)	**1,750,000**	**62,373**	**3,783**	**(69,975)**	**57,625**	**1,803,806**	**307**	**1,804,113**

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 June 2015

	Notes	6 months ended 30 June 2015 AED'000	2014 AED'000
Cash flows from operating activities			
Profit for the period		**57,830**	30,096
Adjustments for:			
Depreciation of property, plant and equipment	*5*	**54,421**	41,957
Amortisation of other intangible assets		**4,306**	4,306
Dividend income		**(2,180)**	(1,928)
Finance income		**(153)**	(341)
Finance cost		**28,886**	31,218
Amortisation of deferred government grant		**(23,000)**	(23,000)
Share of profit from associates	*6*	**(10,671)**	(6,075)
Impairment loss recognised on trade receivables	*9*	**(1,067)**	-
Provision for inventory obsolescence	*8*	**302**	2,187
Provision for employees' end of service benefit		**2,192**	1,900
Operating cash flows before movements in working capital		**110,866**	80,320
Changes in			
- inventories	*8*	**(48,712)**	(57,028)
- trade and other receivables	*9*	**(62,162)**	(108,449)
- prepayments		**764**	(28,774)
- due from related parties	*11*	**437**	24,271
- trade and other payables	*13*	**62,075**	36,754
- due to related parties	*11*	**144**	2
Cash generated from / (used in) operating activities		**63,412**	(52,904)
End of service benefits paid		**(305)**	(713)
Net cash from / (used in) operating activities		**63,107**	(53,617)
Cash flows from investing activities			
Payments for property, plant and equipment	*5*	**(16,293)**	(52,362)
Dividends received from associates	*6*	**20,000**	8,000
Payments for short term investment/deposit held for more than 3 months		**3,678**	19,955
Dividend received from investments held at FVTOCI		**2,180**	1,928
Interest income		**153**	341
Net cash from / (used in) investing activities		**9,718**	(22,138)
Cash flows from financing activities			
(Payments) / proceeds from bank borrowings-net		**(40,821)**	139,666
Interest paid		**(28,886)**	(31,218)
Dividend paid	*19*	**(43,750)**	-
Net cash (used in) / from financing activities		**(113,457)**	108,448
Net (decrease) / increase in cash and cash equivalents		**(40,632)**	32,693
Cash and cash equivalents at the beginning of the period	*10*	**94,784**	121,581
Cash and cash equivalents at the end of the period	*10*	**54,152**	154,274

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.

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 six-months ended 30 June 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 June 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 June 2015, the acquisition is still to be completed.

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 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 2017

Management anticipates that these amendments will be applied in the consolidated financial statement for the initial period when they become effective. Management has not yet had the opportunity to consider the potential impact of the application of these amendments.

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.

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, 'fair value through profit or loss (FVTPL)', and '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.

<u>Cash and cash equivalents</u>

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.

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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as 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 a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the condensed consolidated interim statement of profit or loss.

Financial assets 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.

3 Summary of significant accounting policies *(continued)*

(b) Financial assets *(continued)*

Financial assets at FVTOCI *(continued)*

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 investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation 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 'dividend income' line item in the profit and loss.

Impairment of financial assets

Financial assets, other than those at FVTOCI, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3 Summary of significant accounting policies *(continued)*

(b) Financial assets *(continued)*

Impairment of financial assets *(continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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.

4 Critical accounting judgments and key sources of estimation uncertainty

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and 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.

5 Property, plant and equipment

During the six months period ended 30 June 2015, the Group acquired assets with a cost of AED 16,293 thousand *(30 June 2014: AED 51,300 thousand).*

Out of the total assets acquired for the period, AED 2,740 thousand *(30 June 2014: AED 30,308 thousand)* represents construction cost of the new cement factory. This is stated net of gross profit amounting to Nil *(30 June 2014: AED 2,212 thousand)* arising from the sale of materials produced during the period which amounted to Nil *(30 June 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.

Further depreciation during the period amounts to AED 54,421 thousand *(30 June 2014: AED 41,957 thousand).*

6 Investment in associates

The movement in investment in associates is as follows:

	30 June 2015 (unaudited) AED'000	**30 June 2014 (unaudited) AED'000**	31 December 2014 (audited) AED'000
Balance at the beginning of the period/year	**222,852**	**212,962**	212,962
Group's share of associates' profits for the period/year-net	**10,671**	**6,075**	17,890
Dividends received during the period/year	**(20,000)**	**(8,000)**	(8,000)
Balance at the end of the period/year	**213,523**	**211,037**	222,852

Share of losses amounting to Nil *(30 June 2014: AED 1,960 thousand)* has been applied against the receivables from these associate and joint venture.

7 Investments

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Non-current investments		
Financial assets measured at fair value through other comprehensive income (FVTOCI)	**146,920**	146,920
Investment revaluation reserve	**(69,975)**	(69,975)
Capital distribution received	**(2,185)**	(2,185)
Fair value	**74,760**	74,760
Current investments		
Financial assets measured at fair value through profit or loss (FVTPL)	**357**	357

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 increased by Nil *(31 December 2014: AED 6,725 thousand)*.

8 Inventories

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Raw materials	**142,462**	137,548
Work in progress	**126,231**	102,705
Finished goods	**43,703**	33,831
Goods in transit	**61**	145
Spare parts and consumable materials	**92,782**	80,929
	405,239	355,158
Less: Allowance for obsolescence	**(12,219)**	(11,917)
	393,020	343,241

8 Inventories *(continued)*

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

	30 June 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
Balance at the end of the period/year	**12,219**	11,917

9 Trade and other receivables

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Trade receivables	**440,265**	393,698
Less: Allowance for impairment	**(18,880)**	(17,813)
	421,385	375,885
Advances to suppliers	**20,358**	15,561
Other receivables	**35,670**	24,107
	477,413	415,553

10 Cash and bank balances

	30 June 2015 (unaudited) AED'000	30 June 2014 (audited) AED'000	31 December 2014 (audited) AED'000
Cash in hand	**295**	203	178
Cash in bank and current accounts	**50,251**	154,071	91,353
Short term deposits	**3,606**	3,678	6,931
	54,152	157,952	98,462
Deposits with maturity of more than 3 months from date of placement			
Margin deposits	**-**	(3,678)	(3,678)
Cash and cash equivalents	**54,152**	154,274	94,784

The short term deposits bear an interest rate of 0.75% *(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 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Amounts due from related parties		
Dot Modern Oman	**234**	234
Emirates Steel Industries PJSC	**194**	176
Others	**8**	463
	436	873

11 Transactions and balances with related parties *(continued)*

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Amount due to parent company		
General Holding Corporation PJSC (SENAAT)		
Non-current	**146,920**	146,920
Current	**12,051**	11,907
	158,971	158,827

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:

	6 months ended 30 June	
	2015 (unaudited) AED'000	2014 (unaudited) AED'000
Key management compensation		
Short term benefits	**3,415**	3,351
Post-employment benefits	**256**	262
Total	**3,671**	3,613

12 Borrowings

Bank borrowings are repayable as follows:

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Non-current		
After one year	**1,235,256**	1,302,744
Current		
Within one year	**128,311**	101,644

The details of the bank borrowings are stated as follows:

		Outstanding at 30 June 2015			Outstanding at 31 December 2014		
	Maturity	**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**	**126,667**	**1,133,333**	**1,260,000**	100,000	1,200,000	1,300,000
Term loan 3	**2023**	**1,644**	**11,923**	**13,567**	1,644	12,744	14,388
		128,311	**1,235,256**	**1,363,567**	101,644	1,302,744	1,404,388

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 140 million as at 30 June 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.

13 Trade and other payables

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Trade payables	**221,111**	196,974
Interest payable	**7,306**	3,779
Accruals and other payables	**78,067**	43,656
	306,484	244,409

14 Other income

Other income includes insurance claim amounting to AED 7,057 thousand *(30 June 2014: AED 8,902 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 Contingent liabilities and commitments

	30 June 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Bank guarantees and letters of credit	**37,050**	42,721
Capital commitments	**323,994**	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.

16 Segment reporting *(continued)*

For the period ended 30 June 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	334,372	36,555	27,390	31,796	13,886	-	-	443,999
Intersegment revenue	6,932	-	-	-	2,981	-	(9,913)	-
Profit for the period	47,698	(1,402)	3,968	925	834	5,807	-	57,830

As at 30 June 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	2,532,979	222,625	101,521	121,085	53,355	1,514,057	(833,717)	3,711,905
Total liabilities	269,462	139,438	31,959	25,644	38,602	2,151,302	(748,615)	1,907,792

As at 30 June 2015, included within unallocated assets is AED 120,100 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.

16 Segment reporting *(continued)*

For the period ended 30 June 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	261,970	32,543	19,760	31,636	20,716	-	-	366,625
Intersegment revenue	9,388	-	-	-	2,461	-	(11,849)	-
Profit/(loss) for the period	21,662	1,851	165	169	1,713	- 4,536	-	30,096

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

As at 31 December 2014, included within unallocated assets is 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.

17 Seasonality of results

No income of a seasonal nature was recorded in the condensed consolidated interim statement of profit or loss for the six-month period ended 30 June 2015 and 30 June 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:

	6 months ended 30 June	
	2015 (unaudited)	2014 (unaudited)
Profit attributable to equity holders of the Company (AED'000)	**57,830**	30,096
Weighted average number of shares in issue (thousands of shares)	**1,750,000**	1,750,000
Earnings per share (AED)	**0.033**	0.017

There were no potentially dilutive securities as at 30 June 2015 or 30 June 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 June 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 interim financial information was approved by the Company's Board of Directors and authorised for issue on 28 JUL 2015.