Arkan Building Materials Company (ARKAN) PJSC

Condensed consolidated interim financial information

30 June 2016

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 June 30th, 2016, together with the reviewed condensed consolidated financial statements for the same period.

Overall, Arkan achieved a revenue of AED 411 million in the first half (H1) of 2016, compared to AED 444 million in H1 2015. The Group's profit for the same period was AED 40.14 million compared to AED 57.83 million in H1 2015. The net profit was lower due to adverse weather conditions in early March 2016 that caused damage to the cement plant in Al Ain. The total cost of the damage was AED 4.3 million. Excluding the impact on net profit of the damages, the adjusted profit was AED 53 million.

Review of Operations:

Cement Operations:
Revenue from Arkan's Cement segment was AED 299.68 million in H1 2016, compared to AED 334.37 million in the first half of 2015. Profit from this segment in H1 2016 equaled 33.84 million as compared to AED 47.70 million in H1 2015. As highlighted in the first quarter, the decrease in profit and revenue is attributed to the interruption in production at Ain Cement Factory due to the fierce rain storm that occurred in the month of March which resulted in damaging one of the conveyor belts at the factor. The damaged conveyor belt has stalled the production of half of the raw material handling line; however the company has stepped up the utilization of the other half to achieve an overall production capacity utilization of 65% thereby mitigating the profitability loss due to the damage.

Concrete Blocks:
Revenue from Arkan's Blocks segment significantly increased to AED 48.84 million in H1 2016, compared to AED 36.56 million in H1 2015. Profit from this segment in H1 2016 is AED 427 thousand as compared to a loss of AED 1.40 million in H1 2015. The turnaround in this business is due to higher production and sales volumes as a result of intensified market development efforts of the business.

GRP Pipes:
Revenue from Arkan's GRP Pipes segment reached AED 25.60 million in H1 2016, compared to AED 27.39 million in H1 2015. Profit from this segment amounted to AED 3.90 million in H1 2016 compared to AED 3.97 million during H1 2015.

PVC Pipes:
Arkan's PVC Pipes segment sales revenue was AED 23.18 million in H1 2016, compared to AED 31.80 million in H1 2015. Profit from this segment amounted to AED 857 thousand at the end of H1 2016 compared to AED 925 thousand in H1 2015. Although the revenue has decreased, but still this segment achieved a similar profit due to change in sales/product mix and timely procurement of raw materials at competitive prices.

Bags:
Arkan's Bags segment sales revenue was AED 13.94 million in H1 2016, compared to AED 13.89 million in H1 2015. Profit from this segment amounted to AED 1.16 million at the end of 30 June 2016, compared to AED 834 thousand in H1 2015 due to higher export sales.

Liquidity

The Group's cash and cash equivalents amounted to AED 67.40 million at the end of H1 2016.

Total Assets & Shareholders' Equity

The total assets of the Group reached AED 3.65 billion at the end of H1 2016. The value of shareholders' equity increased to AED 1.90 billion as of June 30, 2016, compared to AED 1.85 billion as of 31 December 2015.

Investments

The value of the investment in Emirates Real Estate Fund was AED 76.57 million at the end of 30 June 2016 compared to AED 74.72 million as at 31 December 2015. The share of profit from associates at the end of the first half of 2016 was AED 6.11 million compared to AED 10.67 million in the same period last year. The Company received cash dividends of AED 24 million from this investment during the period.

On behalf of the Board of Directors:

Jamal Salem Al Dhaheri
Chairman
27 July 2016

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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 2016 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 2016;
- the condensed consolidated interim statement of profit or loss for the six-month period ended 30 June 2016;
- the condensed consolidated interim statement of comprehensive income for the six-month period ended 30 June 2016;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2016;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2016; 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 2016 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

27 JUL 2016

Arkan Building Materials Company (ARKAN) PJSC

Condensed consolidated interim statement of financial position

As at 30 June 2016

	Notes	**30 June 2016 (unaudited) AED'000**	31 December 2015 (audited) AED'000
Assets			
Non-current assets			
Property, plant and equipment	*5*	**2,156,136**	2,189,454
Goodwill		**128,430**	128,430
Other intangible assets		**124,514**	128,820
Investment in associates	*6*	**208,061**	225,954
Financial assets measured at fair value through other comprehensive income (FVTOCI)	*7*	**76,566**	74,724
Total non-current assets		**2,693,707**	2,747,382
Current assets			
Financial assets measured at fair value through profit or loss (FVTPL)	*7*	**-**	987
Inventories	*8*	**377,133**	384,011
Trade and other receivables	*9*	**480,527**	468,773
Prepayments		**28,692**	31,019
Amounts due from related parties	*11*	**733**	514
Cash and bank balances	*10*	**67,398**	60,940
Total current assets		**954,483**	946,244
Total assets		**3,648,190**	3,693,626
Equity and Liabilities			
Equity			
Share capital		**1,750,000**	1,750,000
Statutory reserve		**72,485**	72,485
Capital reserve		**3,783**	3,783
Investment revaluation reserve	*7*	**(68,169)**	(70,011)
Retained earnings		**130,945**	90,804
Equity attributable to owners of the Company		**1,889,044**	1,847,061
Non-controlling interest		**307**	307
Total equity		**1,889,351**	1,847,368

Arkan Building Materials Company (ARKAN) PJSC

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

As at 30 June 2016

	Notes	**30 June 2016 (unaudited) AED'000**	31 December 2015 (audited) AED'000
Non-current liabilities			
Borrowings	*12*	**1,010,344**	1,077,767
Provision for employees' end of service benefit		**35,966**	33,673
Total non-current liabilities		**1,046,310**	1,111,440
Current liabilities			
Borrowings	*12*	**239,978**	224,978
Trade and other payables	*13*	**312,093**	326,283
Amounts due to a related party	*11*	**13,538**	13,637
Loan from a related party	*11*	**146,920**	146,920
Deferred government grant		**-**	23,000
Total current liabilities		**712,529**	734,818
Total liabilities		**1,758,839**	1,846,258
Total equity and liabilities		**3,648,190**	3,693,626

Jamal Salem Al Dhaheri
Chairman

Abdellatif Sfaxi
Chief Executive Officer

Faizal Amod
Chief Financial Officer

The notes set out on pages 9 to 24 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 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016	2015	**2016**	2015
		AED'000	AED'000	**AED'000**	AED'000
Revenue		**198,964**	223,863	**411,235**	443,999
Direct costs		**(154,882)**	(166,537)	**(308,023)**	(333,135)
Gross profit		**44,082**	57,326	**103,212**	110,864
Selling and distribution expenses		**(3,729)**	(6,645)	**(14,468)**	(12,456)
General and administrative expenses		**(26,482)**	(28,456)	**(52,316)**	(56,797)
Other (expenses) / income	*14*	**(3,649)**	1,371	**707**	9,101
Share of profits of associates (net)	*6*	**1,943**	5,893	**6,107**	10,671
Income from government grant		**11,500**	11,500	**23,000**	23,000
Net loss on investments at fair value through profit or loss		**(164)**	-	**(24)**	-
Dividend income		**11**	12	**2,189**	2,180
Finance cost		**(14,119)**	(13,770)	**(28,281)**	(28,886)
Finance income		**15**	93	**15**	153
Profit for the period		**9,408**	27,324	**40,141**	57,830
Profit for the period attributable to:					
Owners of the Company		**9,408**	27,324	**40,141**	57,830
		9,408	27,324	**40,141**	57,830
Basic and diluted earnings per share attributable to Owners of the Company (AED)		**0.005**	0.016	**0.023**	0.033

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Arkan Building Materials Company (ARKAN) PJSC

Condensed consolidated interim statement of comprehensive income (unaudited)

for the period ended 30 June 2016

	Notes	**Three months ended 30 June**		**Six months ended 30 June**	
		2016	2015	**2016**	2015
		AED'000	AED'000	**AED'000**	AED'000
Profit for the period		**9,408**	27,324	**40,141**	57,830
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	**758**	-	**1,842**	-
Total comprehensive income for the period		**10,166**	27,324	**41,983**	57,830
Total comprehensive income for the period attributable to:					
Owners of the Company		**10,166**	27,324	**41,983**	57,830
		10,166	27,324	**41,983**	57,830

The notes set out on pages 9 to 24 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 2016

	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 the Owners of the Company AED'000	Non-controlling interests AED'000	Total AED'000
As at 1 January 2015 (audited)	1,750,000	62,373	3,783	(69,975)	43,545	1,789,726	307	1,790,033
Total comprehensive income for the period								
Profit for the period	-	-	-	-	57,830	57,830	-	57,830
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	57,830	57,830	-	57,830
Transaction with owners of the Company								
Dividend paid *(refer note 19)*	-	-	-	-	(43,750)	(43,750)	-	(43,750)
As at 30 June 2015 (unaudited)	**1,750,000**	**62,373**	**3,783**	**(69,975)**	**57,625**	**1,803,806**	**307**	**1,804,113**
As at 1 January 2016 (audited)	1,750,000	72,485	3,783	(70,011)	90,804	1,847,061	307	1,847,368
Total comprehensive income for the period								
Profit for the period	-	-	-	-	**40,141**	**40,141**	-	**40,141**
Other comprehensive income for the period	-	-	-	**1,842**	-	**1,842**	-	**1,842**
Total comprehensive income	-	-	-	**1,842**	**40,141**	**41,983**	-	**41,983**
As at 30 June 2016 (unaudited)	**1,750,000**	**72,485**	**3,783**	**(68,169)**	**130,945**	**1,889,044**	**307**	**1,889,351**

The notes set out on pages 9 to 24 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 2016

	Notes	Six months ended 30 June 2016 AED'000	2015 AED'000
Cash flows from operating activities			
Profit for the period		**40,141**	57,830
Adjustments for:			
Depreciation of property, plant and equipment	*5*	**49,785**	54,421
Amortisation of other intangible assets		**4,306**	4,306
Dividend income		**(2,189)**	(2,180)
Finance income		**(15)**	(153)
Finance cost		**28,281**	28,886
Amortisation of deferred government grant		**(23,000)**	(23,000)
Net loss in fair value of financial assets measured as at FVTPL		**24**	-
Share of profit from associates	*6*	**(6,107)**	(10,671)
Loss on sale of property, plant and equipment		**576**	-
Impairment loss recognised on trade receivables	*9*	**718**	(1,067)
Provision for inventory obsolescence	*8*	**279**	302
Provision for employees' end of service benefit		**2,498**	2,192
Operating cash flows before movements in working capital		**95,297**	110,866
Changes in			
- inventories	*8*	**6,599**	(48,712)
- trade and other receivables	*9*	**(12,472)**	(62,162)
- prepayments		**2,327**	764
- amounts due from related parties	*11*	**(219)**	437
- trade and other payables	*13*	**(16,891)**	62,075
- amounts due to a related party	*11*	**(99)**	144
Cash generated from operating activities		**74,542**	63,412
Employees' end of service benefits paid		**(205)**	(305)
Net cash from operating activities		**74,337**	63,107
Cash flows from investing activities			
Payments for property, plant and equipment	*5*	**(17,614)**	(16,293)
Proceeds from sale of property, plant and equipment		**571**	-
Dividends received from associates	*6*	**24,000**	20,000
Payments for short term investments/deposits held for more than 3 months		**-**	3,678
Dividend received from investments held at FVTOCI		**2,189**	2,180
Proceeds from sale of investment held at FVTPL		**963**	-
Interest income		**15**	153
Net cash from investing activities		**10,124**	9,718
Cash flows from financing activities			
Repayments of bank borrowings - net		**(52,423)**	(40,821)
Finance cost paid		**(25,580)**	(28,886)
Dividend paid	*19*	**-**	(43,750)
Net cash used in financing activities		**(78,003)**	(113,457)
Net increase / (decrease) in cash and cash equivalents		**6,458**	(40,632)
Cash and cash equivalents at the beginning of the period	*10*	**60,940**	94,784
Cash and cash equivalents at the end of the period	*10*	**67,398**	54,152

The notes set out on pages 9 to 24 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 2016 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**
		2016	2015	
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 and plastic and paper bags.
Hobas Gulf LLC	UAE	**100**	100	Develop market of glass fiber reinforced polyster pipes and systems.
Arkan Pavers 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 2016, the liquidation is still to be completed.

1 Legal status and principal activities *(continued)*

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 2016, the acquisition is still to be completed.

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 Pavers 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", the applicable provision of the articles of association of the Company and the UAE Federal Law No. 2 of 2015. UAE Federal Law no. 2 of 2015 being the Commercial Companies Law ("the UAE Companies Law of 2015") was issued on 1 April 2015 to come into force on 1 July 2015 repealing the old UAE Federal Law No. 8 of 1984 (as amended). Companies are mandated to comply with the UAE Companies Law No. 2 of 2015 by 30 June 2017. The Group is in the process of amending its Articles of Association and the same will be finalised in due course. These condensed consolidated financial information does 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 statements as at and for the year ended 31 December 2015.

(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 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

Management anticipates that these amendments will be applied in the condensed consolidated interim 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.

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 statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective 1 January 2016.

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 the condensed consolidated interim statement of 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's interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(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
Cash and cash equivalents comprise cash in hand and at banks and call and term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and amounts due from related parties.

Investments held at FVTPL
Financial assets are classified as 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 FVTOCI at initial recognition as described below.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the condensed consolidated interim statement of profit or loss.

3 Summary of significant accounting policies *(continued)*

(b) Financial assets *(continued)*

Investments held at FVTPL (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 as a hedging instrument or a financial guarantee.

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.

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 the condensed consolidated interim statement of profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in the condensed consolidated interim statement of 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 the condensed consolidated interim statement of profit or loss and are included in the net investment and other income line item in the condensed consolidated interim statement of profit or loss.

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.

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.

3 Summary of significant accounting policies *(continued)*

(b) Financial assets *(continued)*

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.

(c) ***Impairment***

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the condensed consolidated interim statement of profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the condensed consolidated interim statement of profit or loss.

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the condensed consolidated interim statement of profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

4 Accounting estimates and judgments

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 statements for the year ended 31 December 2015.

5 Property, plant and equipment

During the six months period ended 30 June 2016, the Group acquired assets with a cost of AED 17,614 thousand *(30 June 2015: AED 16,293 thousand).* Out of the total assets acquired for the period, AED 4,836 thousand *(30 June 2015: AED 2,740 thousand)* represents construction cost of the new cement factory. 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 49,785 thousand *(30 June 2015: AED 54,421 thousand).*

6 Investment in associates

The movement in investment in associates is as follows:

	30 June 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Balance at the beginning of the period / year	**225,954**	222,852
Group's share of associates' profits for the period / year	**6,107**	23,102
Dividends received during the period / year	**(24,000)**	(20,000)
Balance at the end of the period / year	**208,061**	225,954

7 Investments

	30 June 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Non-current investments		
Financial assets measured at FVTOCI	**146,920**	146,920
Investment revaluation reserve	**(68,169)**	(70,011)
Capital distribution received	**(2,185)**	(2,185)
Fair value	**76,566**	74,724

7 Investments *(continued)*

	30 June 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Current investments		
Financial assets measured at FVTPL	-	987

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 AED 1,842 thousand *(31 December 2015: decreased by AED 36 thousand)*.

Financial assets measured at FVTOCI and financial assets measured at FVTPL fall under fair value hierarchy level 2 and level 1 respectively.

8 Inventories

	30 June 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Raw materials	**104,519**	121,672
Work in progress	**133,154**	139,194
Finished goods	**42,975**	34,300
Goods in transit	**62**	71
Spare parts and consumable materials	**107,812**	99,884
	388,522	395,121
Less: allowance for obsolescence	**(11,389)**	(11,110)
	377,133	384,011

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

	30 June 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Balance at the beginning of the period / year	**11,110**	11,917
Charge / (reversal) for the period / year	**279**	(807)
Balance at the end of the period / year	**11,389**	11,110

9 Trade and other receivables

	30 June 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Trade receivables	**443,292**	453,146
Less: allowance for impairment	**(24,571)**	(23,853)
	418,721	429,293
Advances to suppliers	**29,392**	14,293
Other receivables	**32,414**	25,187
	480,527	468,773

10 Cash and bank balances

	30 June 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Cash in hand	**128**	183
Cash at bank in current accounts	**67,270**	60,757
	67,398	60,940

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 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Amounts due from related parties		
Dot Modern Oman	**234**	234
Emirates Steel Industries PJSC	**466**	247
Others	**33**	33
	733	514

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

	30 June 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Amounts due to a related party		
General Holding Corporation PJSC (SENAAT)	**13,538**	13,637

	30 June 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Loan from a related party		
General Holding Corporation PJSC (SENAAT)	**146,920**	146,920

Transactions with related parties during the period comprise:

	Six months ended 30 June	
	2016 (unaudited) AED'000	2015 (unaudited) AED'000
Interest on loan from parent company	**1,961**	1,674
Sales to a related party	**688**	469
Key management compensation		
Short term benefits	**4,152**	3,415
Post-employment benefits	**328**	256
	4,480	3,671

12 Borrowings

Bank borrowings are repayable as follows:

	30 June 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Non-current		
After one year	**1,010,344**	1,077,767
Current		
Within one year	**239,978**	224,978

12 Borrowings *(continued)*

The details of the bank borrowings are stated as follows:

		Outstanding at 30 June 2016			Outstanding at 31 December 2015		
	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**	**148,333**	**1,000,067**	**1,148,400**	133,333	1,066,667	1,200,000
Term loan 3	**2023**	**1,645**	**10,277**	**11,922**	1,645	11,100	12,745
		239,978	**1,010,344**	**1,250,322**	224,978	1,077,767	1,302,745

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 June 2016 *(31 December 2015: Nil)*.

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 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Trade payables	**240,756**	246,630
Accruals	**53,240**	68,572
Interest payable	**6,745**	4,044
Other payables	**11,352**	7,037
	312,093	326,283

14 Other income

Other income includes insurance claim amounting to Nil *(30 June 2015: AED 7,057 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. Further it includes transportation revenue of AED 707 thousand *(30 June 2015: AED 673 thousand)*.

15 Contingencies and commitments

	30 June 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
Bank guarantees and letters of credit	**17,334**	16,792
Capital commitments	**14,651**	22,965

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 2016 (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	299,679	48,843	25,595	23,175	13,943	-	-	411,235
Intersegment revenue	9,502	3,110	-	-	-	-	(12,612)	-
Finance cost	25,766	-	3	-	-	2,512	-	28,281
Depreciation and amortisation	33,194	5,985	2,707	896	87	11,222	-	54,091
Share of profit of equity accounted investees	-	-	-	-	-	6,107	-	6,107
Profit for the period	33,839	427	3,898	857	1,161	(41)	-	40,141

16 Segment reporting *(continued)*

As at 30 June 2016 (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	**2,501,386**	**315,467**	**90,801**	**113,370**	**43,610**	**1,461,851**	**(878,295)**	**3,648,190**
Total liabilities	**77,059**	**160,092**	**21,286**	**7,338**	**41,245**	**2,255,378**	**(803,559)**	**1,758,839**

As at 30 June 2016, included within unallocated assets is AED 154,168 thousand *(31 December 2015: AED 229,799 thousand)* being construction work in progress, which primarily relates to phase 2 and phase 3 of the new cement factory. All construction work in progress will be allocated to the respective segments once completed.

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)	-
Finance cost	26,347	-	-	-	-	2,539	-	28,886

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
Depreciation and amortisation	33,632	5,803	2,631	815	112	15,734	-	58,727
Share of profit of equity accounted investees	-	-	-	-	-	10,671	-	10,671
Profit/(loss) for the period	47,698	(1,402)	3,968	925	834	5,807	-	57,830

As at 31 December 2015 (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	2,512,875	224,224	95,996	122,928	43,167	1,552,586	(858,150)	3,693,626
Total liabilities	150,771	142,958	22,063	17,753	35,962	2,247,471	(770,720)	1,846,258

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 2016 and 30 June 2015.

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:

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Profit attributable to owners of the Company (AED'000)	**40,141**	57,830
Weighted average number of shares in issue (thousands of shares)	**1,750,000**	1,750,000
Earnings per share (AED)	**0.023**	0.033

There were no potentially dilutive securities as at 30 June 2016 or 30 June 2015, and accordingly, diluted earnings per share are the same as basic earnings per share.

19 Dividend

No dividend has been declared during the period ended 30 June 2016 (30 June 2015: 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 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 27 July 2016.