

**QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)  
DOHA - QATAR**

**INTERIM CONDENSED  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S  
REVIEW REPORT  
FOR THE SIX MONTH PERIOD ENDED  
JUNE 30, 2019**

**QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six month period ended June 30, 2019

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<b>INDEX</b>	<b>Page</b>
Independent auditor's review report	--
Interim condensed statement of financial position	1
Interim condensed statement of profit or loss	2
Interim condensed statement of profit or loss and other comprehensive income	3
Interim condensed statement of changes in equity	4
Interim condensed statement of cash flows	5
Notes to the interim condensed financial statements	6 – 16

QR. 83046

RN: 0158/MMS/FY2020

## INDEPENDENT AUDITOR'S REVIEW REPORT

**To the Shareholders**  
**Qatar National Cement Company (Q.P.S.C.)**  
**Doha – Qatar**

### *Introduction*

We have reviewed the accompanying interim condensed statement of financial position of Qatar National Cement Company (Q.P.S.C.) (the "Company"), as at June 30, 2019, and the related interim condensed statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended and certain explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the interim financial statements 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.

## INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by the IASB.

### *Emphasis of matter*

Without qualifying our conclusion and as further explained in Note 5 to the interim condensed financial statements, the license to use the land on which quarries, plants and housing are situated has expired in 2015. The Company is negotiating the lease agreement terms and conditions with Qatar Petroleum, for which the discussions are still in progress.

**Doha – Qatar**  
**July 31, 2019**

**For Deloitte & Touche**  
**Qatar Branch**



**Midhat Salha**  
**Partner**


**License No. 257**

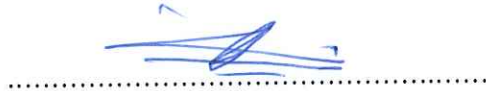
**QFMA Auditor License No. 120156**

# QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION As at June 30, 2019

	Notes	June 30, 2019 (Reviewed) QR'000	December 31, 2018 (Audited) QR'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment and capital work in progress	5	2,085,098	2,161,279
Investment properties	6	4,869	5,094
Investment in associates	7	52,985	53,688
Financial assets - equity instruments	8	274,528	220,324
<b>Total non-current assets</b>		<b>2,417,480</b>	<b>2,440,385</b>
<b>Current assets</b>			
Inventories	9	470,005	396,535
Accounts receivables and other debit balances	10	346,180	327,248
Cash and bank balances		257,386	608,810
<b>Total current assets</b>		<b>1,073,571</b>	<b>1,332,593</b>
<b>TOTAL ASSETS</b>		<b>3,491,051</b>	<b>3,772,978</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	653,529	653,529
Legal reserve		326,764	326,764
Fair value reserve of financial assets – equity instruments		49,619	27,692
Share of fair value reserves of associates		10,419	6,590
Retained earnings		1,960,896	2,181,843
<b>Total equity</b>		<b>3,001,227</b>	<b>3,196,418</b>
<b>Non-current liabilities</b>			
Employees' end of service benefits		13,123	12,620
Other liabilities		--	11,987
Borrowings	11	--	91,250
<b>Total non-current liabilities</b>		<b>13,123</b>	<b>115,857</b>
<b>Current liabilities</b>			
Accounts payable and other credit balances		267,822	251,507
Other liabilities		26,379	26,696
Borrowings	11	182,500	182,500
<b>Total current liabilities</b>		<b>476,701</b>	<b>460,703</b>
<b>Total liabilities</b>		<b>489,824</b>	<b>576,560</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,491,051</b>	<b>3,772,978</b>

  
 Mr. Mohamed Ali Al-Sulaiti  
 General Manager

  
 Mr. Sulaiman Khalid Almana  
 Deputy Chairman

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS.

**QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)****INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS**

For the six month period ended June 30, 2019

	Notes	Six month period ended June 30,	
		2019	2018
		(Reviewed)	(Reviewed)
		QR'000	QR'000
Revenue		377,331	434,554
Cost of sales		<u>(279,289)</u>	<u>(277,763)</u>
<b>Gross profit</b>		<b>98,042</b>	156,791
Other income	13	24,668	27,864
Selling and distribution expenses		(3,539)	(3,614)
General and administrative expenses		(15,830)	(12,995)
Share of (loss)/profit from associates		<u>(3,200)</u>	<u>471</u>
<b>Profit for the period</b>		<b><u>100,141</u></b>	<b><u>168,517</u></b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (QR.)	14	<b><u>0.153</u></b>	<b><u>0.258</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS.

**QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)**

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the six month period ended June 30, 2019

	Note	<b>Six month period ended June 30,</b>	
		<b>2019</b>	<b>2018</b>
		<b>(Reviewed)</b>	<b>(Reviewed)</b>
		<b>QR'000</b>	<b>QR'000</b>
<b>Profit for the period</b>		<b>100,141</b>	<b>168,517</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to statement of profit or loss</i>			
Net changes in associates' share of fair value reserves	7	3,829	(1,606)
<i>Items that will not be reclassified subsequently to statement of profit or loss</i>			
Net changes in fair value of equity instruments at fair value through other comprehensive income		21,927	(4,536)
<b>Other comprehensive income/(loss) for the period</b>		<b>25,756</b>	<b>(6,142)</b>
<b>Total comprehensive income for the period</b>		<b>125,897</b>	<b>162,375</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS.

**QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)**

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**

For the six month period ended June 30, 2019

	Share capital QR'000	Legal reserve QR'000	Cumulative changes in fair value reserve related to			Retained earnings QR'000	Total QR'000
			Financial assets – FVTOCI QR'000	Investment in associates QR'000			
Balance at January 1, 2018 (Audited)	653,529	326,764	6,643	8,413	2,138,197	3,133,546	
Profit for the period	--	--	--	--	168,517	168,517	
Other comprehensive income for the period	--	--	(4,536)	(1,606)	--	(6,142)	
Disposal of financial assets – equity instruments designated as FVTOCI	--	--	--	--	701	701	
Dividends distribution (Note 15)	--	--	--	--	(294,088)	(294,088)	
<b>Balance at June 30, 2018 (Reviewed)</b>	<b>653,529</b>	<b>326,764</b>	<b>2,107</b>	<b>6,807</b>	<b>2,013,327</b>	<b>3,002,534</b>	
Balance at January 1, 2019 (Audited)	653,529	326,764	27,692	6,590	2,181,843	3,196,418	
Profit for the period	--	--	--	--	100,141	100,141	
Other comprehensive income for the period	--	--	21,927	3,829	--	25,756	
Disposal of financial assets – equity instruments designated as FVTOCI	--	--	--	--	5,674	5,674	
Dividends distribution (Note 15)	--	--	--	--	(326,762)	(326,762)	
<b>Balance at June 30, 2019 (Reviewed)</b>	<b>653,529</b>	<b>326,764</b>	<b>49,619</b>	<b>10,419</b>	<b>1,960,896</b>	<b>3,001,227</b>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS.



**QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)**

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**

For the six month period ended June 30, 2019

	<b>Six month period ended</b>	
	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Reviewed)</b>	<b>(Reviewed)</b>
	<b>QR'000</b>	<b>QR'000</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	100,141	168,517
Adjustments for:		
Depreciation and amortization	87,886	62,569
Dividend income	(14,224)	(10,988)
Interest income	(5,280)	(11,163)
Foreign exchange loss	--	850
Reversal of provision for doubtful debts	--	(253)
Share of loss / (profit) from associates	3,200	(471)
Provision for employees' end of service benefits	941	882
	<u>172,664</u>	<u>209,943</u>
Working capital changes:		
Inventories	(73,470)	(22,638)
Accounts receivable and other debit balances	(18,932)	(54,430)
Accounts payables, other credit balances and other liabilities	4,011	(13,533)
<b>Cash from operations</b>	<u>84,273</u>	<u>119,342</u>
Employees' end of service benefits paid	(438)	(432)
<b>Net cash from operating activities</b>	<u>83,835</u>	<u>118,910</u>
<b>INVESTING ACTIVITIES</b>		
Additions in property, plant and equipment, net of advance payment	(11,480)	(56,970)
Additions to financial assets - equity instruments	(73,340)	(114,183)
Proceeds from sale of financial assets - equity instruments	46,737	38,551
Dividend income received	14,224	10,988
Dividend income from associates	1,332	2,835
Interest income received	5,280	11,163
<b>Net cash used in investing activities</b>	<u>(17,247)</u>	<u>(107,616)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of borrowings	(91,250)	--
Dividend distribution	(326,762)	(294,088)
<b>Net cash used in financing activities</b>	<u>(418,012)</u>	<u>(294,088)</u>
Net (decrease)/increase in cash and cash equivalents	(351,424)	(282,794)
Cash and cash equivalents at the beginning of the period	<u>608,810</u>	<u>910,081</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>257,386</u>	<u>627,287</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

# QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2019

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### 1. CORPORATE INFORMATION

Qatar National Cement Company (Q.P.S.C.) (the “Company”) was incorporated in the State of Qatar as a Qatari Public Shareholding Company, under the Emiri Decree No. 7 of 1965 with Commercial Registration No. 25. The Company’s head office is located in Doha, State of Qatar. The Company is listed on the Qatar Stock Exchange.

The Company is primarily engaged in the production and sale of cement, washed sand and lime at its plants located in Umm Bab and Al Rakiya in the State of Qatar. The sand plant is registered as a branch which is an integral part of these interim condensed financial statements.

### 2. BASIS OF PREPARATION

The interim condensed financial statements of the Company for the six months ended June 30, 2019 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”), and in conformity with Qatar Commercial Companies Law.

The interim condensed financial statements are presented in Qatari Riyals, which is the Company’s functional and presentation currency. All values are rounded to the nearest thousands (QR ‘000) except when otherwise indicated.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2018. In addition, results for the six months’ period ended June 30, 2019 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2019.

#### *Judgments, estimates and risk management*

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company’s annual financial statements for the year ended December 31, 2018, except as mentioned in Note 3.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2018, and the notes attached thereto, except for certain new and revised standards and interpretations, that became effective in the current period as set out below:

#### **(i) New and amended standards adopted by the Company**

The Company adopted IFRS 16 ‘Leases’ the standard replaces the existing guidance on leases, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.

## QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
For the six month period ended June 30, 2019

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) New and amended standards adopted by the Company (continued)

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Company's financial Position, unless the term is 12 months or less or the lease is for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Company has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application. IFRS 16 transition disclosures also requires the Company to present the reconciliation.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The Company's leasing activities and how these are accounted for:

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) New and amended standards adopted by the Company (continued)**

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

**Practical expedient**

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has performed assessment of the impact of IFRS 16 against their current accounting policies. The assessment provided that the Company's transition and adoption of IFRS 16 as at January 1, 2019 did not result in a material impact on the interim condensed financial statements.

The Company has elected the modified retrospective approach and the cumulative effect (if any) of initially applying IFRS 16 is recognised in opening retaining earnings as at January 1, 2019 and comparative periods are not restated.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

**(ii) Revised standards**

Effective for annual periods beginning on or after January 1, 2019

*Amendments to IFRS 9 Prepayment Features with Negative Compensation and Modification of financial liabilities*

*Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures.*

*Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*

*Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement*

*IFRIC 23 Uncertainty over Income Tax Treatments*

# QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
For the six month period ended June 30, 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (iii) New and revised standards and interpretations but not yet effective

Effective for annual periods beginning after January 1, 2020

Amendments regarding the definition of material

Amendments to clarify the definition of a business

IFRS 17: Insurance Contracts

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the *Conceptual Framework*

## 4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### Changes in judgements and estimation uncertainty

The critical judgements and estimates used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended December 31, 2018 except for the changes highlighted below:

#### *Determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

## 5. PROPERTY, PLANT AND EQUIPMENT

The movements during the period/year were as follows:

	Six month period ended June 30, 2019 (Reviewed) (QR '000)	Year ended December 31, 2018 (Audited) (QR '000)
<b>Cost</b>		
Balance at beginning of the period/year	4,309,579	4,204,648
Additions during the period/year	11,480	104,931
<b>Balance at end of the period/year</b>	<b>4,321,059</b>	<b>4,309,579</b>
<b>Accumulated Depreciation</b>		
Balance at beginning of the period/year	2,148,300	1,993,162
Depreciation charge for the period/year	87,661	155,138
<b>Balance at end of the period/year</b>	<b>2,235,961</b>	<b>2,148,300</b>
<b>Net book value at end of the period/year</b>	<b>2,085,098</b>	<b>2,161,279</b>

The license to use the land on which quarries, plants and housing are situated has expired in 2015. The Company is currently in the process of getting this license renewed.

**QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the six month period ended June 30, 2019

**6. INVESTMENT PROPERTIES**

The movement during the period/year were as follows:

	<b>Six month period ended June 30, 2019 (Reviewed) (QR '000)</b>	<b>Year ended December 31, 2018 (Audited) (QR '000)</b>
<b>Cost</b>		
Balance at beginning of the period/year	42,557	42,557
<b>Balance at end of the period/year</b>	<b>42,557</b>	<b>42,557</b>
<b>Accumulated Depreciation</b>		
Balance at beginning of the period/year	37,463	37,009
Depreciation charge for the period/year	225	454
<b>Balance at end of the period/year</b>	<b>37,688</b>	<b>37,463</b>
<b>Net book value at end of the period/year</b>	<b>4,869</b>	<b>5,094</b>

- a) The interim condensed statement of profit or loss includes a sum of QR. 4.60 million as rental income from investment properties for the six-month period ended June 30, 2019 (June 30, 2018: QR. 4.69 million).
- b) Investment properties were appraised by an accredited independent valuer at a fair value of QR 259 million as of December 31, 2017. Management is of the opinion that the fair value of the investment properties as of June 30, 2019 is not materially different from December 31, 2018, and 2017.

**7. INVESTMENT IN ASSOCIATES**

	<b>Ownership %</b>	<b>Country of Incorporation</b>	<b>June 30, 2019 (Reviewed) (QR '000)</b>	<b>December 31, 2018 (Audited) (QR '000)</b>
Qatar Saudi Gypsum Industries Co. (W.L.L.)	33.33%	Qatar	30,654	29,161
Qatar Quarries & Building Materials Co. (P.Q.S.C.)	20.00%	Qatar	22,331	24,527
			<b>52,985</b>	<b>53,688</b>

The movements during the period/year were as follows:

<b>Year ended December 31, 2018 (Audited)</b>	<b>Six month period ended June 30, 2019 (Reviewed) (QR '000)</b>	<b>Year ended December 31, 2018 (Audited) (QR '000)</b>
Balance at beginning of the period/year	53,688	55,076
Share of profit from associates	(3,200)	3,269
Receipt of dividends	(1,332)	(2,835)
Net changes in fair value reserves	3,829	(1,822)
<b>Balance at end of the period/year</b>	<b>52,985</b>	<b>53,688</b>

**QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six month period ended June 30, 2019

**8. FINANCIAL ASSETS – EQUITY INSTRUMENTS**

	<b>Six month period ended June 30, 2019 (Reviewed) (QR '000)</b>	<b>Year ended December 31, 2018 (Audited) (QR '000)</b>
Financial assets at fair value through other comprehensive income	274,528	220,324
<b>Balance at end of the period/year</b>	<b>274,528</b>	<b>220,324</b>

**9. INVENTORIES**

Inventories consist of the following:

	<b>June 30, 2019 (Reviewed) (QR '000)</b>	<b>December 31, 2018 (Audited) (QR '000)</b>
Raw materials	77,353	90,800
Work in progress	258,442	173,492
Finished goods	24,740	35,626
Spare parts	105,964	103,438
Fuel, oil and lubricants	1,463	1,615
Other miscellaneous stocks	6,044	4,229
	<b>474,006</b>	<b>409,200</b>
Provision for obsolete and slow moving inventories	<b>(19,854)</b>	<b>(19,854)</b>
	<b>454,152</b>	<b>389,346</b>
Goods in transit	15,853	7,189
	<b>470,005</b>	<b>396,535</b>

**10. ACCOUNTS RECEIVABLES AND OTHER DEBIT BALANCES**

	<b>June 30, 2019 (Reviewed) (QR '000)</b>	<b>December 31, 2018 (Audited) (QR '000)</b>
Accounts receivable	311,386	291,936
Provision for doubtful debts	<b>(3,614)</b>	<b>(3,614)</b>
	<b>307,772</b>	<b>288,322</b>
Advances to suppliers and others	25,107	28,321
Prepayments and other receivables	13,301	10,605
	<b>346,180</b>	<b>327,248</b>

## QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2019

#### 11. BORROWINGS

On July 31, 2016, the Company entered into an agreement with a commercial bank to avail a dollar term loan facility (unsecured) in an aggregate amount of USD 100,000 thousand. As per terms of the agreement, the facility shall be utilised to finance the construction of new Cement Plant 5. The agreed interest rate of the facility is LIBOR + 1.30%.

	<b>June 30, 2019</b> <b>(Reviewed)</b> <b>(QR. '000)</b>	December 31, 2018 <b>(Audited)</b> <b>(QR. '000)</b>
Balance at beginning of the period/year	273,750	364,150
Payment during the period/year	<b>(91,250)</b>	(91,250)
Revaluations during the period/year	--	850
<b>Balance at end of the period/year</b>	<b>182,500</b>	<b>273,750</b>

Presented in the interim condensed financial statements:

	<b>June 30, 2019</b> <b>(Reviewed)</b> <b>(QR. '000)</b>	December 31, 2018 <b>(Audited)</b> <b>(QR. '000)</b>
Current portion	182,500	182,500
Non-current portion	--	91,250
	<b>182,500</b>	<b>273,750</b>

#### 12. SHARE CAPITAL

	<b>June 30, 2019</b> <b>(Reviewed)</b> <b>(QR. '000)</b>	December 31, 2018 <b>(Audited)</b> <b>(QR. '000)</b>
Authorised, issued and fully paid:		
Share capital (QR'000)	<b>653,529</b>	653,529
No. of shares at QR. 10 nominal value ('000 shares)	--	65,353
No. of shares at QR. 1 nominal value ('000 shares) (Note 14)	<b>653,529</b>	--



## QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2019

#### 13. OTHER INCOME

	<b>Six month period ended June 30, 2019 (Reviewed) (QR '000)</b>	Six month period ended June 30, 2018 (Reviewed) (QR '000)
Dividend income	14,224	10,988
Interest income	5,280	11,163
Rental income	4,595	4,689
Transportation income	318	318
Others	251	706
	<u>24,668</u>	<u>27,864</u>

#### 14. EARNINGS PER SHARE

##### a) Basic Earnings Per Share

The basic "earnings per share" is computed by dividing the profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period as follows:

	<b>Six month period ended June 30, 2019 (Reviewed)</b>	Six month period ended June 30, 2018 (Reviewed)
Profit attributable to ordinary shareholders of the Company (QR. '000)	<u>100,141</u>	<u>168,517</u>
Weighted average number of ordinary shares outstanding ('000 shares) (2018 restated to reflect the stock split)	<u>653,529</u>	<u>653,529</u>
Basic earnings per share (QR.)	<u>0.153</u>	<u>0.258</u>

On February 11, 2019, the Extraordinary General Meeting of the Company approved the par value of the ordinary share to be QR.1 instead of QR.10, as per the instructions of Qatar Financial Markets Authority, and amendment of the related Articles of Association. The share split was effective on June 25, 2019 and the total number of shares were increased from 65,352,894 to 653,528,940 ordinary shares. Consequently, Earnings Per Share for comparative periods has been restated to reflect this.

##### b) Diluted Earnings Per Share

No separate diluted earnings per share were calculated since the diluted earnings per share were equal to the basic earnings per share.

#### 15. DIVIDENDS

The shareholders in their Annual General Assembly held on February 11, 2019 resolved to distribute a cash dividend of 50% amounting to QR 326,762 thousand relating to the year ended December 31, 2018 (December 31, 2017: cash dividends of 45% shareholders in their Annual General Assembly held on February 25, 2018 of the paid up capital amounting to QR 294,088 thousand).

## QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2019

#### 16. RELATED PARTY TRANSACTIONS

##### a) Transactions with Government of Qatar and its entities

The Government of Qatar holds 43% of the Company's share capital. In the normal course of business, the Company supplies its commodities to various Government and semi Government agencies and companies in the State of Qatar. The Company also avails of various services from Government and semi Government agencies and companies in the State of Qatar.

The rental income includes a sum of QR. 2.5 million for the six month period ended June 30, 2019 (June 30, 2018: QR. 2.5 million) from the Government of Qatar.

##### b) Transactions with key management personnel

Key management personnel comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the entity.

During the period ended June 30, 2019, the Company has paid a sum of QR. 1.10 million (June 30, 2018: QR. 1.53 million) to members of the Committees of the Board of Directors and salaries and benefits paid to key members of management amounted to QR 3.20 million (June 30, 2018: QR. 3.32 million).

#### 17. COMMITMENTS AND CONTINGENCIES

The following summarizes the significant contractual commitments and contingencies:

(i) The Company had the following commitments and contingent liabilities outstanding at:

	<b>June 30, 2019</b> <b>(Reviewed)</b>	Dec. 31, 2018 <b>(Audited)</b>
	<b>(QR '000)</b>	<b>(QR '000)</b>
Capital commitments	<u>8,700</u>	<u>8,848</u>
Contingencies - Letters of credit	<u>6,710</u>	<u>4,101</u>

Letters of credit mainly pertains mainly to commitments for spare part suppliers.

(ii) During 2017, Ministry of Municipality and Environment (the "Ministry") has filed a lawsuit against the Company for extracting raw materials used in cement industry from outside the designated areas during the period 2008 to 2011. Ministry is claiming an amount of QR. 68,974,667 as compensation including litigation fees and expenses. The Company has denied the claim and is of the view that the materials used were extracted within the valid territories and requested the court to reject the case. The Company is confident of the case will not have any material impact on the Company's interim condensed financial statements.

(iii) As of June 30, 2019, the Company is in negotiation with relevant parties to amend certain agreements which require the Company to pay for a guaranteed quantity of electricity and gas irrespective of actual usage. Although the latest correspondences received by the Company might result in an additional cost of electricity, the Company's management is confident that the resolution of this matter will not have any material impact on the Company's financial statements.

## QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2019

#### 18. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2018.

#### 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1	Quoted prices (unadjusted) prices in active markets for identical assets or liabilities that the Company can access;
Level 2	Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly; and
Level 3	Unobservable inputs for the asset or liability

All the financial assets and liabilities are considered as level 1 fair value investments and there is no change in the fair value hierarchy from December 31, 2018.

#### 20. SEGMENT REPORTING

The Company is organized into two major business segments, which comprises the manufacture and sale of cement and sand, and other by products. Geographically, the Company's entire business operations are concentrated in State of Qatar. The Chief Operating Decision Maker evaluates the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

##### June 30, 2019 (Reviewed):

	Cement	Sand	Others	Total
	(QR. '000)	(QR. '000)	(QR. '000)	(QR. '000)
Revenue	306,640	66,580	4,111	377,331
Cost of sales	(229,519)	(47,469)	(2,301)	(279,289)
Gross profit	77,121	19,111	1,810	98,042
Other income	--	--	24,668	24,668
General and administrative expenses	(9,147)	(1,986)	(4,697)	(15,830)
Selling and distribution expenses	(2,876)	(625)	(38)	(3,539)
Share of profit from associates	--	--	(3,200)	(3,200)
Profit for the period	65,098	16,500	18,543	100,141

**QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six month period ended June 30, 2019

**20. SEGMENT REPORTING (CONTINUED)**

June 30, 2018 (Reviewed):

	Cement	Sand	Others	Total
	(QR. '000)	(QR. '000)	(QR. '000)	(QR. '000)
Revenue	345,641	85,069	3,844	434,554
Cost of sales	(218,890)	(56,724)	(2,149)	(277,763)
Gross profit	126,751	28,345	1,695	156,791
Other income	--	--	27,864	27,864
General and administrative expenses	(9,627)	(2,369)	(999)	(12,995)
Selling and distribution expenses	(2,874)	(708)	(32)	(3,614)
Share of profit from associates	--	--	471	471
Profit for the period	<u>114,250</u>	<u>25,268</u>	<u>28,999</u>	<u>168,517</u>