

**QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)
DOHA – STATE OF QATAR**

**INTERIM CONDENSED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S
REVIEW REPORT FOR THE
SIX MONTHS ENDED JUNE 30, 2020**

QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)
DOHA – STATE OF QATAR

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

To
The Board of Directors
Qatar National Cement Company (Q.P.S.C.)
Doha – State of Qatar

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Qatar National Cement Company (Q.P.S.C.)**, (the "Company"), Doha – State of Qatar, as at June 30, 2020 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. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard-34, *Interim Financial Reporting*. 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 interim condensed 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.

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*.

Emphasis of Matters

We draw attention to the following notes to these interim condensed financial statements;

- Note 4(b), which describes that the license issued by the Government of Qatar to use the land on which quarries, plants and housing are situated has been expired in 2015. As of the reporting date, the Company is in the process of negotiating with competent authorities related to terms and conditions of the lease agreement.
- Note 21(b), which describes that the company is negotiating rates to be charged from 2009 to 2017 with respect to the electricity supply take-or-pay agreement.
- Note 21(c), where the company is in the process of obtaining official acknowledgement, approval and consent from the respective authorities to ensure that there are no probable claims related to energy supplies against the suspended plants IV & V.

- Note 21(d), which describes that the company is the defendant in a lawsuit filed by the Ministry of Municipality and Environment relating to the alleged extraction of raw materials outside of designated areas from 2008 to 2011.

Our conclusion is not modified in respect of these matters.

Other Matter

The interim condensed financial statements for the six-month period ended June 30, 2019 and the annual financial statements for the year ended December 31, 2019 of **Qatar National Cement Company (Q.P.S.C)**, Doha – State of Qatar were reviewed and audited by another auditor whose review report dated July 31, 2019 and audit report dated January 26, 2020 expressed an unmodified conclusion and an unmodified opinion on those interim condensed financial statements and annual financial statements respectively. However, certain Emphasis of Matters were included in those reports.

TALAL ABU-GHAZALEH & CO.

Hazim Al Surghi, CPA
(Licence No.119)
QFMA Licence No. 120152
Doha, July 22, 2020



QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)
DOHA – STATE OF QATAR

EXHIBIT "A"

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (REVIEWED)
AS AT JUNE 30, 2020

	Note	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment and capital work in progress	-4-	1,940,177	2,017,854
Investment properties	-5-	4,415	4,640
Investment in associates	-6-	54,526	53,503
Financial assets at fair value through other comprehensive income-equity instruments	-7-	160,262	225,558
Total Non-Current Assets		2,159,380	2,301,555
CURRENT ASSETS			
Inventories	-8-	614,519	574,721
Accounts and other receivables	-9-	339,581	411,160
Cash and cash equivalents	-10-	94,410	210,797
Total Current Assets		1,048,510	1,196,678
Total Assets		3,207,890	3,498,233
EQUITY AND LIABILITIES			
EQUITY			
Share capital	-11-	653,529	653,529
Legal reserve		326,764	326,764
Fair value reserve of financial assets at fair value through other comprehensive income-equity instruments	-12-	21,984	50,128
Share of fair value reserves of associates	-13-	10,975	10,224
Retained earnings		1,927,929	2,047,254
Total Equity – Exhibit D		2,941,181	3,087,899
NON-CURRENT LIABILITIES			
Employees' end of service benefits		10,804	12,202
CURRENT LIABILITIES			
Accounts and other payables	-14-	255,905	306,882
Borrowings	-15-	-0-	91,250
Total Current Liabilities		255,905	398,132
Total Liabilities		266,709	410,334
Total Equity and Liabilities		3,207,890	3,498,233

These interim condensed financial statements were approved by the Board of Directors on July 22, 2020 and signed on its behalf by:


Mr. Salem Bin Butti Al-Naimi
Chairman


Mohamed Ali Al-Sulaiti
General Manager

THE ACCOMPANYING NOTES 1 to 24 CONSTITUTE AN INTEGRAL PART OF THESE
INTERIM CONDENSED FINANCIAL STATEMENTS

**QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)
DOHA – STATE OF QATAR**

EXHIBIT "B"

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS (REVIEWED)
FOR THE SIX MONTHS ENDED JUNE 30, 2020**

	Note	Six months ended June 30, 2020 (QR '000) (Reviewed)	Six months ended June 30, 2019 (QR '000) (Reviewed)
Revenue		290,564	377,331
Cost of sales		(223,348)	(279,289)
Gross profit		67,216	98,042
Other income	-16-	14,429	24,668
Selling and distribution expenses		(3,491)	(3,539)
General and administrative expenses		(10,140)	(15,830)
Share of profit(loss) from associates		272	(3,200)
Profit for the period – Exhibits C, D & E		68,286	100,141
 Earnings per share			
Basic earnings per share (QR.)	-17-	0.104	0.153
Diluted earnings per share (QR.)	-17-	0.104	0.153

THE ACCOMPANYING NOTES 1 to 24 CONSTITUTE AN INTEGRAL PART OF THESE
INTERIM CONDENSED FINANCIAL STATEMENTS

QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)
DOHA – STATE OF QATAR

EXHIBIT "C"

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (REVIEWED)
FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Six months ended June 30, 2020 (QR '000) (Reviewed)	Six months ended June 30, 2019 (QR '000) (Reviewed)
Profit for the period – Exhibit B	68,286	100,141
Other comprehensive income:		
<i>Items that will be reclassified subsequently to profit or loss:</i>		
Net changes in share of fair value reserves of associates	751	3,829
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Net changes in fair value of financial assets at fair value through other comprehensive income-equity instruments	(19,696)	27,601
Other comprehensive (loss) income for the period – Exhibit D	(18,945)	31,430
Total comprehensive income for the period – Exhibit D	49,341	131,571
	=====	=====

THE ACCOMPANYING NOTES 1 to 24 CONSTITUTE AN INTEGRAL PART OF THESE
INTERIM CONDENSED FINANCIAL STATEMENTS

QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)
DOHA – STATE OF QATAR

EXHIBIT "D"

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (REVIEWED)
FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Share Capital (QR '000)	Legal Reserve (QR '000)	Fair Value Reserve of Financial Assets at FVOCI (QR '000)	Share of Fair Value Reserves of Associates (QR '000)	Retained Earnings (QR '000)	Total (QR '000)
SIX MONTHS ENDED JUNE 30, 2019 (REVIEWED)						
Balance as at December 31, 2018	653,529	326,764	27,692	6,590	2,181,843	3,196,418
Total comprehensive income for the period	-	-	-	-	100,141	100,141
Profit for the period – Exhibit B						
Other comprehensive income						
Net changes in share of fair value reserves of associates	-	-	-	3,829	-	3,829
Net changes in fair value of financial assets at fair value through other comprehensive income-equity instruments	-	-	27,601	-	-	27,601
Other comprehensive income for the period – Exhibit C	-	-	27,601	3,829	-	31,430
Total comprehensive income for the period – Exhibit C	-	-	27,601	3,829	100,141	131,571
Dividend distribution for the year 2018 – Note 18	-	-	-	-	(326,764)	(326,764)
De-recognition of fair value reserve upon disposals – equity instruments	-	-	(5,674)	-	5,674	-
Balance as at June 30, 2019	653,529	326,764	49,619	10,419	1,960,894	3,001,225
SIX MONTHS ENDED JUNE 30, 2020 (REVIEWED)						
Balance as at December 31, 2019 – Exhibit A	653,529	326,764	50,128	10,224	2,047,254	3,087,899
Total comprehensive income for the period	-	-	-	-	68,286	68,286
Profit for the period – Exhibit B						
Other comprehensive income						
Net changes in share of fair value reserves of associates	-	-	-	751	-	751
Net changes in fair value of financial assets at fair value through other comprehensive income-equity instruments	-	-	(19,696)	-	-	(19,696)
Other comprehensive (loss) for the period – Exhibit C	-	-	(19,696)	751	-	(18,945)
Total comprehensive income for the period – Exhibit C	-	-	(19,696)	751	68,286	49,341
Dividend distribution for the year 2019 – Note 18	-	-	-	-	(196,059)	(196,059)
De-recognition of fair value reserve upon disposals – equity instruments	-	-	(8,448)	-	8,448	-
Balance as at June 30, 2020 – Exhibit A	653,529	326,764	21,984	10,975	1,927,929	2,941,181

THE ACCOMPANYING NOTES 1 TO 24 CONSTITUTE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

**QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)
DOHA – STATE OF QATAR**

EXHIBIT "E"

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (REVIEWED)
FOR THE SIX MONTHS ENDED JUNE 30, 2020**

	Six months ended June 30, 2020 (QR '000) (Reviewed)	Six months ended June 30, 2019 (QR '000) (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period – Exhibit B	68,286	100,141
Adjustments for:		
Depreciation of property, plant and equipment and investment properties	84,998	87,886
Dividend income	(7,640)	(14,224)
Interest income	(1,147)	(5,280)
Share of (profit)loss from associates	(272)	3,200
Rental income	(4,920)	(4,595)
Provision for employees' end of service benefits	837	941
Operating profit before working capital changes	140,142	168,069
Changes in operating assets and liabilities		
-Inventories	(39,798)	(73,470)
-Accounts and other receivables	71,579	(18,932)
-Accounts and other payables	(50,977)	4,013
Cash generated from operations	120,946	79,680
Employees' end of service benefits paid	(2,235)	(438)
Net cash from operating activities	118,711	79,242
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment and capital work in progress	(7,096)	(11,480)
Additions to financial assets at fair value through other comprehensive income -equity instruments	(5,705)	(73,340)
Proceeds from disposals of financial assets at fair value through other comprehensive income – equity instruments	51,305	46,737
Dividend income received	7,640	14,224
Dividend income received from associates	-0-	1,332
Rental income received	4,920	4,595
Interest income received	1,147	5,280
Net cash from (used in) investing activities	52,211	(12,652)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend distribution	(196,059)	(326,764)
Repayment of borrowings	(91,250)	(91,250)
Net cash (used in) financing activities	(287,309)	(418,014)
Net (decrease) in cash and cash equivalents	(116,387)	(351,424)
Cash and cash equivalents at beginning of the period	210,797	608,810
Cash and cash equivalents at end of the period	94,410	257,386
	=====	=====

THE ACCOMPANYING NOTES 1 to 24 CONSTITUTE AN INTEGRAL PART OF THESE
INTERIM CONDENSED FINANCIAL STATEMENTS

**QATAR NATIONAL CEMENT COMPANY (Q.P.S.C.)
DOHA – STATE OF QATAR**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (REVIEWED)
FOR THE SIX MONTHS ENDED JUNE 30, 2020**

1) GENERAL 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. of 25. The Company’s head office is located in Doha, State of Qatar.

The Company is primarily engaged in the production and sale of cement, washed sand and other related products at its plants located in Umm Bab and Al Rakiyat in the State of Qatar. These interim condensed financial statements include the assets, liabilities and results of operation of the company’s branch registered under the commercial registration number 25/1.

2) BASIS OF PREPARATION OF INTERIM CONDENSED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The interim condensed financial statements of the Company for the six months ended June 30, 2020 have been prepared in accordance with International Accounting Standard-34, *Interim Financial Reporting* and in conformity with Qatari Commercial Companies Law.

The interim condensed financial statements do not contain all information and disclosures required for annual financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2019. In addition, results for the six months ended June 30, 2020 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2020.

b) Significant Accounting Policies

i) Amendments to the Standards

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2019 and the notes attached thereto, except for certain amendments to the standards that became effective in the current period as described below:

Amendments to the Standards		Effective Date
IAS 1 & 8	Definition of Material	January 01, 2020
IFRS 3	Definition of a business	January 01, 2020
IFRS 9 & 7 & and IAS 39	Interest Rate Bench Mark Reform	January 01, 2020
IFRS 16	COVID 19- Related Rent Concessions	June 01, 2020

In addition to the above, amendments to references to conceptual framework in IFRS standards was effective from January 01, 2020.

The above amendments to the standards have been adopted by the company, where applicable, and which did not have any material impact on the accounting policies, financial position or performance of the Company.

ii) New and amendments to IFRSs issued but not yet effective

The following new and amendments to the standards have been issued but are not yet effective and the company intends to adopt these standards, where applicable, when they become effective;

New Standards		Effective Date
IFRS 17	Insurance Contracts	January 01, 2023
Amendments to the Standards		Effective Date
IAS 28 &	Sale or Contribution of Assets between an Investor	Deferred
IFRS 10	and its Associate or Joint Venture	Indefinitely
IAS 1	Classification of liabilities as Current or Non-current	January 01, 2022

3) **FINANCIAL RISK MANAGEMENT, CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY AND SEGMENT REPORTING**

a) **Financial Risk Management**

The Company's financial risk management objectives are consistent with those disclosed in the financial statements for the year ended December 31, 2019.

b) **Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

In the application of the Company's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements made by the 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, 2019, except any effects as disclosed in note 23 (The Impact of COVID 19).

c) **Segment Reporting**

The Company is organized into three business segment, which comprises the manufacture and sale of cement, sand and other by products. Geographically, the Company's entire business operations are concentrated in State of Qatar. The management evaluates the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment.

Operating results of each reportable segment are as follows:

For the six months ended June 30, 2020

Description	Cement (QR '000)	Sand (QR '000)	Others (QR '000)	Total (QR '000)
Revenue	230,917	55,579	4,068	290,564
Cost of sales	(178,141)	(41,684)	(3,523)	(223,348)
Gross profit	52,776	13,895	545	67,216
Other income	-0-	-0-	14,429	14,429
Selling & distribution expenses	(2,774)	(668)	(49)	(3,491)
General & admin expenses	(8,058)	(1,940)	(142)	(10,140)
Share of profit from associates	-0-	-0-	272	272
Profit for the period	41,944	11,287	15,055	68,286

For the six months ended June 30, 2019

Description	Cement (QR '000)	Sand (QR '000)	Others (QR '000)	Total (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	-0-	-0-	24,668	24,668
Selling & distribution expenses	(2,876)	(625)	(38)	(3,539)
General & admin expenses	(9,147)	(1,986)	(4,697)	(15,830)
Share of (loss) from associates	-0-	-0-	(3,200)	(3,200)
Profit for the period	65,098	16,500	18,543	100,141

4) **PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK IN PROGRESS**

a) Movement during the period/year were as follows:	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Cost		
Balance at beginning of the period/year	4,341,006	4,309,579
Additions during the period/year	7,096	31,427
Balance at end of the period/year	<u>4,348,102</u>	<u>4,341,006</u>
Accumulated Depreciation/Impairment		
Balance at beginning of the period/year	2,323,152	2,148,300
Charge for the period/year	84,773	174,852
Balance at end of the period/year	<u>2,407,925</u>	<u>2,323,152</u>
Net book value at end of the period/year – Exhibit A	<u>1,940,177</u> =====	<u>2,017,854</u> =====

- b) The Company's cement plants, sand plants and buildings are constructed on land licensed from the State of Qatar via an Emiri Decree. The license term for the land has been expired in 2015. The Company is currently negotiating the terms and conditions of the lease agreement with competent authorities who has the concession rights for Dukhan area where the land is located. Whilst the negotiations are ongoing, the Company is continuing operations at the site.
- c) With effective from June 01, 2016, the Cement Plant I had been discontinued and the management in the process of ascertaining the possible measures for its disposal. The recoverable value of the plant is higher than carrying value as of reporting date.
- d) As disclosed in note 23, on April 01, 2020, the operation of the Cement Plants IV & V have been suspended until further notice due to COVID 19 impacts.

5) **INVESTMENT PROPERTIES**

a) Movement during the period/year were as follows:	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Cost		
Balance at beginning of the period/year	42,557	42,557
Balance at end of the period/year	<u>42,557</u>	<u>42,557</u>
Accumulated Depreciation		
Balance at beginning of the period/year	37,917	37,463
Charge for the period/year	225	454
Balance at end of the period/year	<u>38,142</u>	<u>37,917</u>
Net book value at end of the period/year – Exhibit A	<u>4,415</u> =====	<u>4,640</u> =====

- b) The interim condensed statement of profit or loss includes a sum of QR.2.92 million as rental income from the above investment properties for the six months ended June 30, 2020 (June 30, 2019: QR.3.10 million).
- c) The fair value of the investment properties amounting to QR.235 million as at December 31, 2019 and June 30, 2020 respectively were determined by an accredited independent appraiser. The appraiser is an industry specialist in valuing these types of investment properties. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties on valuation date. In estimating the fair value of the properties, the highest and best use of the properties is their current use. Further, the management of the Company presumes that the fair value of the above investment properties as of December 31, 2019 and June 30, 2020 are not materially differ from the valuation date (January 08, 2020).

6) INVESTMENT IN ASSOCIATES

a) This item consists of the following:	Share (%)	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Qatar Saudi Gypsum Industries Co. (W.L.L)	33.33	32,580	31,314
Qatar Quarries & Building Materials Co. (P.Q.S.C)	20.00	21,946	22,189
Total – Exhibit A & Note 6(b)		54,526 =====	53,503 =====
b) Movement during the period/year were as follows:		June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Balance at beginning of the period/year		53,503	53,688
Share of profit(loss) for the period/year		272	(2,487)
Dividend received		-0-	(1,332)
Net changes in fair value reserves for the period/year		751	3,634
Balance at end of the period/year – Note 6(a)		54,526 =====	53,503 =====
c) The share of net assets of associates were derived based on the investees' latest available financial statements (December 31, 2019).			

7) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-EQUITY INSTRUMENTS

Financial assets at fair value through other comprehensive income-equity instruments comprise of investments in shares of listed companies in Qatar Exchange. The fair value of the quoted equity shares is determined by reference to published price quotations in Qatar Exchange.

Movement during the period/year were as follows:	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Balance at beginning of the period/year	225,558	220,324
Additions during the period/year	5,705	82,415
Disposals during the period/year	(51,305)	(123,933)
Net changes in fair value for the period/year	(19,696)	46,752
Balance at end of the period/year – Exhibit A	160,262 =====	225,558 =====

8) **INVENTORIES**

a) This item consists of the following:	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Work in progress	418,523	366,194
Spare parts	111,589	115,135
Raw materials	76,344	78,334
Finished goods	21,719	16,096
Fuel, oil and lubricants	1,373	1,620
Others	5,631	6,186
Sub total	<u>635,179</u>	<u>583,565</u>
Provision for obsolete and slow moving inventories – Note 8(b)	(21,164)	(21,164)
Net	<u>614,015</u>	<u>562,401</u>
Goods in transit	504	12,320
Total – Exhibit A	<u>614,519</u> =====	<u>574,721</u> =====

b) **Provision for Obsolete and Slow Moving Inventories**

Movement during the period/year were as follows:	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Balance at beginning of the period/year	21,164	19,854
Provision for the period/year	-0-	1,310
Balance at end of the period/year – Note 8(a)	<u>21,164</u> =====	<u>21,164</u> =====

9) **ACCOUNTS AND OTHER RECEIVABLES**

This item consists of the following:	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Accounts receivable	304,491	317,678
Less: Provision for expected credit losses	(3,614)	(3,614)
Net accounts receivable	<u>300,877</u>	<u>314,064</u>
Advances to suppliers	11,675	18,095
Prepayments and other receivables	27,029	79,001
Total – Exhibit A	<u>339,581</u> =====	<u>411,160</u> =====

10) **CASH AND CASH EQUIVALENTS**

This item consists of the following:	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Cash in hand	119	66
Cash at current and call accounts	4,791	15,893
Short term fixed deposits	89,500	194,838
Total – Exhibit A	<u>94,410</u> =====	<u>210,797</u> =====

11) SHARE CAPITAL

This item consists of the following:	June 30, 2020 (Reviewed)	Dec. 31, 2019 (Audited)
Authorized, issued and fully paid up capital with a par value of QR.1 each (QR'000) – Exhibit A	653,529 =====	653,529 =====
Authorized, issued and fully paid up capital – Number of shares ('000)	653,529 =====	653,529 =====

12) FAIR VALUE RESERVE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-EQUITY INSTRUMENTS

Movement during the period/year were as follows:	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Balance at beginning of the period/ year	50,128	27,692
Net changes in fair value for the period/year	(19,696)	46,752
De-recognition of fair value reserve upon disposals	(8,448)	(24,316)
Balance at end of the period/year – Exhibit A	<u>21,984</u> =====	<u>50,128</u> =====

13) SHARE OF FAIR VALUE RESERVES OF ASSOCIATES

Movement during the period/year were as follows:	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Balance at beginning of the period/year	10,224	6,590
Net changes in fair value for the period/year	751	3,634
Balance at end of the period/year – Exhibit A	<u>10,975</u> =====	<u>10,224</u> =====

14) ACCOUNTS AND OTHER PAYABLES

a) This item consists of the following:	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Accruals against energy suppliers –Note 14(b)	110,199	106,238
Dividend payable	93,607	88,277
Accruals and provisions	17,607	23,452
Accounts payable	15,998	46,983
Advance from customers/ contract liabilities	6,468	6,720
Short term retention payable	576	576
Provisions for social and sports fund contribution	-0-	4,304
Claims payables – Note 14(c)	-0-	13,470
Directors' remuneration payable	-0-	5,398
Others	11,450	11,464
Total – Exhibit A	<u>255,905</u> =====	<u>306,882</u> =====

- b) Pursuant to the Gas Sales and Purchase Agreement with Government based entity (M/s. Qatar Petroleum) and Power Supply Agreement with another Government based entity (M/s. Qatar General Electricity & Water Corporation) hereinafter referred as "Energy Suppliers", the company has agreed with the energy suppliers to purchase the energy requirements for the operation of the Cement Plants. The above dues are measured and accounted in terms of the contractual arrangements with the above energy suppliers. The company is in the process of negotiation with respective authorities, for and if any disagreements against the contractual clauses or subsequent addendums {Notes 21 (b) & (c)}.
- c) The claims payable to Government based entity (M/s. Qatar Petroleum) arose based on the contractual arrangements entered in previous years related to capital cost recoveries and take or pay claims have been settled in full during the six months ended June 30, 2020.

15) BORROWINGS

a) Movement during the period/year were as follows:

	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Balance at beginning of the period/year	91,250	273,750
Payment during the period/year	(91,250)	(182,500)
Balance at end of the period/year – Exhibit A	-0-	91,250
	=====	=====

b) On July 31, 2016, the Company has entered into an agreement with a foreign commercial bank to obtain a term loan facility amounting to USD 100,000,000 (Equivalent to QR.365,000,000) for the purpose of construction of Cement Plant V. The above term loan facility carries an interest rate of LIBOR + 1.3%. During the six months ended June 30, 2020, the above term loan facility has been settled in full.

16) OTHER INCOME

a) This item consists of the following:

	Six months ended June 30, 2020 (QR '000) (Reviewed)	Six months ended June 30, 2019 (QR '000) (Reviewed)
Dividend income	7,640	14,224
Rental income –Note 16(b)	4,920	4,595
Interest income	1,147	5,280
Transportation income	246	318
Others	476	251
Total – Exhibit B	14,429	24,668
	=====	=====

b) Rental income for the six months ended June 30, 2020 includes a sum of QR.2 Million earned from certain properties which are attached and integral part of property, plant and equipment (June 30, 2019: QR.1.5 Million).

17) 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:

	Six months ended June 30, 2020 (Reviewed)	Six months ended June 30, 2019 (Reviewed)
Profit attributable to ordinary share holders of the Company (QR'000)	68,286	100,141
	=====	=====
Weighted average number of ordinary shares outstanding ('000)	653,529	653,529
	=====	=====
Basic earnings per share (QR.) – Exhibit B	0.104	0.153
	=====	=====

b) Diluted Earnings Per Share

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

18) DIVIDENDS

Following the approval of the Annual General Assembly held on February 23, 2020, it was decided a cash dividend distribution of 30% of the paid up capital totaling QR.196,058,682 relating to the year ended December 31, 2019 (December 31, 2019: cash dividend distribution of 50% of the paid up capital totaling QR.326,764,470 relating to the year ended December 31, 2018).

19) INTANGIBLE ASSETS

a) Movement during the period/year were as follows:	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Cost		
Balance at beginning of the period/year	5,872	5,872
Balance at end of the period/year	<u>5,872</u>	<u>5,872</u>
Accumulated Amortization		
Balance at beginning of the period/year	5,872	5,872
Balance at end of the period/year	<u>5,872</u>	<u>5,872</u>
Net book value at end of the period/year	<u>-0-</u> =====	<u>-0-</u> =====

- b) Intangible assets represent the cost of software development – SAP ERP. The software development cost is amortized on straight line basis over the estimated useful life of three years.

20) RELATED PARTY TRANSACTIONS

a) Transactions with Government of Qatar and its agencies

The various Government based entities together hold about 46% 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, in particular from Qatar Petroleum and Qatar General Electricity and Water Corporation for the natural gas and electricity for power supply.

The rental income includes a sum of QR.2.5 million for the six months ended June 30, 2020 (June 30, 2019: 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 Company.

During the six months ended June 30, 2020, the Company has paid a sum of QR.0.30 million (June 30, 2019: QR.1.10 million) to members of the Committees of the Board of Directors and salaries and benefits paid to key members of management amounted to QR.2.77 million (June 30, 2019: 3.20 million).

21) COMMITMENTS, CONTINGENCIES AND LITIGATIONS

- a) The following summarizes the significant contractual commitments and contingencies:

	June 30, 2020 (QR '000) (Reviewed)	Dec. 31, 2019 (QR '000) (Audited)
Capital commitments	3,114	3,114
Contingencies - Letters of credit	262	7,899
	=====	=====

- b) The company has received a letter from the Minister of State for Energy Affairs in the first half of 2019 informing the Company that the reduction in the take-or-pay rates (from 85% to 65%) will take effect from the date of the amendment to the agreement, rather than being applied with retroactive impact from 2009 which was previously communicated by the Minister. Should this resolution by the Minister be final and implemented, the Company will have to accrue additional sums amounting to QR.76.58 million for the years from 2009 to December 2017. The Company is in discussion with relevant parties in the State of Qatar and is confident that the outcome of the matter will not result in any amounts which are materially different from those recognized in these interim condensed financial statements { Note 14(b)}.
- c) Due to the impacts of COVID 19 and as a result of suspension of Cement Plants IV & V, the dues related to energy suppliers for the months of April, May and June 2020 have not been accrued. The decision was taken and communicated to be compliance with terms and conditions of the contracts with them. However, as of reporting date, the company is in the process of obtaining official acknowledgement and approval from the energy suppliers in this regard {Note 14(b)}.
- d) **Litigation**

During 2017, the Ministry of Municipality and Environment has filed a lawsuit against the Company for extracting raw materials used in cement industry from outside the designated areas during the period from 2008 to 2011. The Ministry is claiming an amount of QR.69 million 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 that the resolution of the case will not have any material impact on the Company's interim condensed financial statements.

22) COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the presentation of the current period. Those reclassifications do not affect previously reported profit or equity.

23) THE IMPACT OF COVID-19

a) Introduction

The coronavirus (COVID-19) steep spread across the world and led the World Health Organization to declare it as pandemic and a global health emergency. Numerous sectors of the global economy are effected and the long term economic and business consequence remain un-known which lead to uncertainties in the global economic environment.

b) Impact to the Qatar Economy

Since the first case of COVID 19 reported, the State of Qatar, has emerged social distancing and widespread testing. The effective and rigorous approach adopted by the Country resulted to mitigate severe impact on the Economy. Since the construction activities of the Country were not suspended, it was presumed that, no significant affects to construction and its related industries.

c) Impact to the Company and its Industry

- The sudden outbreak of COVID-19 had a definite impact on the production and consumption of the Construction Industry. Since the construction activities of the country were not suspended and its expected that construction companies will accelerate their work, the overall demand will be increased by end of 2020, hence its impact for the whole year is expected to be limited.

- The pandemic delayed demand from the down-stream industries and thus caused pressure in the 1st half of 2020. As a result, the company's revenue has been declined by 13%, 25%, 30%, 34%, 36% respectively from January to May 2020 compared to previous year. The demand of the cement products has been declined even before the occurrence of the pandemic owing to the ongoing market conditions such as continues economic decline, due to factors such as regional diplomatic crisis between the country and the some of GCC countries and its short and medium term effects.
- Eventhough construction activities were not suspended, there were indirect affects to the company's business activities, as the Government initiated certain restrictions and measures such as reduced working hours and social distancing requirements with limited employees. As a result, the demand of the cement and sand also have been declined witness by significant revenue reductions during the months of March to May 2020. However, with the ease of these restrictions at the beginning of June 2020, the company has been able to increase its revenue by 2% in compared to the previous year June 2019.
- As a result of reductions in cement production, the company has suspended productions from Plant IV and V with effective from April 01, 2020 until further notice. Consequently, the company has reduced its employees considerably during the period and has not made provisions for the utilization of electricity and gas as per the contractual arrangements with energy suppliers applicable for plants IV and V during the months of April, May and June 2020.

d) Significant Assessment of COVID

The board of directors has performed an reasonable assessment of COVID-19 based on the available guidance, historical experience, industry benchmark and other factors that are considered to be relevant on the company's all aspects. The details of the areas where the high level of assessment carried out are as follows;

➤ **Use of Estimates and Judgments**

In the application of the company's accounting policies, the Board of Directors has assessed potential impacts of the current economic volatility in determination of the reported amounts of the company's financial and non-financial assets. The judgments, estimates and assumptions are board of directors' best assessment determined based on the available information. In addition, the company has specifically analyzed the impacts of pandemic when determining Expected Credit Losses where forward looking factors and general economic conditions of the industry in which the debtors operate are assessed to ensure that no significant credit risk exposures as of the reporting date.

➤ **Going Concern**

The company continues to adopt the going concern basis in preparing its interim condensed financial statements for the six-month period ended June 30, 2020. The uncertainty as to future impact on the company, due to COVID 19 has been critically assessed by the board of directors. Thus, the management is not aware of any material uncertainties that may cast significant doubt about the company's ability to continue as a going concern.

➤ **Events After The Reporting Period**

The board of directors assessed, the effect of COVID 19 on the company as and when identified or available for their attention. The implications of the pandemic are challaenging, ongoing and the outcome of this event is unknown and therefore, the impact of the company for conditions that arose after the reporting period may not be identifiable and quantifiable at the time of issuance of these interim condensed financial statements. However, if any major events will be taken place, those will be considered, adjusted and disclosed accordingly in the subsequent financial statements prepared for the company.

24) GENERAL

Figures in the interim condensed financial statements have been presented in Qatari Riyals rounded to the nearest thousands except in supplementary disclosures.