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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2019

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QR. 83046

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Qatar National Cement Company Q.P.S.C.
P.O. Box 1333
Doha, Qatar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Qatar National Cement Company Q.P.S.C. (the "Company"), which comprise the statement of financial position as at December 31, 2019, and the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to:

1. Note 5(a) to the financial statements, which describes that the license issued by the Government of Qatar to use the land on which quarries, plants and housing are situated, expired in 2015. As of the reporting date, the Company was in the process of negotiating the lease agreement terms and conditions with Qatar Petroleum.

2. Note 34 to the financial statements, which describes that the Company is the defendant in a law suit filed by the Ministry of Municipality and Environment relating to the alleged extraction of raw materials outside of designated areas from 2008 to 2011.

3. Note 34 to the financial statements, 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.

Our report is not modified in respect of the above matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Existence and costing of inventory
(QR. 574,720,463) -
We have identified inventory existence and costing as an area requiring particular audit attention due to the following:

The Company has significant levels of inventory at year end;
In arriving at the cost at of various types of inventories at year end, the Company employs different processes. The cost of work in progress and finished products in particular, involves the use of raw materials and the allocation of payroll cost and overheads using a complex process.
The quantities of different types of inventories at year end are determined using different processes. Particularly, the quantities of raw materials, certain work in progress and finished products are determined using quantity surveys at site, a complex process which requires particular expertise.

The accounting policy for inventory is outlined in Note 3, and a breakdown of inventories is presented in Note 10.
</td><td>
Our audit procedures to address the risk of material misstatement relating to inventory existence included:

Attending the physical inventory count at the year end and assessing the design and implementation of controls over the existence of inventory;
Performing test counts of inventories whilst attending the physical inventory count at year end
Reviewing the results of the quantity surveys at year end; and
Reviewing the Company's process of reflecting the results of the physical inventory count into the accounting records.
We agreed the quantities of inventories in the final inventory compilation to the results of the quantity surveys and the test counts we performed at the physical inventory count.

With respect to determination of cost of inventory, our audit procedures included:

We assessed the design and implementation of controls over inventory costing.
For purchased items of inventory including raw materials and spare parts, reviewing the Company's procurement process and tested the costs recorded to supporting documentation on a sample basis;
We agreed the costs of inventories in the final inventory compilation to calculations prepared by management.
For work in progress and finished goods, we assessed the Company's costing methods against the requirements of IFRSs and reperformed the underlying costing calculations on a sample basis.

</td></tr>
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information

Management is responsible for the other information. The other information comprises the Director's report, which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the applicable provisions of Qatar Commercial Companies Law, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies' Law, we report the following:

- We are also in the opinion that proper books of account were maintained by the Company, physical inventory verification has been duly carried out and the contents of the director's report are in agreement with the Company's financial statements.
- We obtained all the information and explanations which we considered necessary for the purpose of our audit.
- To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies' Law and the Company's Articles of Associations were committed during the year which would materially affect the Company's financial position and performance.

Doha – Qatar
January 26, 2020

For **Deloitte & Touche**
Qatar Branch

دیلویت أند توش
محاسبون قانونيون
Public Accountants
DELOITTE & TOUCHE

Midhat Salha
Partner
License No. 257
QFMA Auditor License No. 120156

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

STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Notes	2019	2018
		QR	QR
ASSETS			
Non-current assets			
Property, plant and equipment and capital work in progress	5	**2,017,853,930**	2,161,278,663
Investment properties	6	**4,640,254**	5,093,972
Investments in associates	8	**53,503,152**	53,688,280
Financial assets at FVTOCI- equity instruments	9	**225,557,797**	220,323,895
Total non-current assets		**2,301,555,133**	2,440,384,810
Current assets			
Inventories	10	**574,720,463**	396,534,872
Prepayments and other debit balances	11	**97,096,195**	38,925,846
Trade receivables	12	**314,064,185**	288,322,150
Cash and bank balances	13	**210,796,792**	608,810,582
Total current assets		**1,196,677,635**	1,332,593,450
Total assets		**3,498,232,768**	3,772,978,260
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**653,528,940**	653,528,940
Legal reserve	15	**326,764,470**	326,764,470
Fair value reserve of financials assets – equity instruments	16	**50,127,629**	27,691,991
Share of fair value reserves of associates	17	**10,224,295**	6,590,476
Retained earnings		**2,047,254,151**	2,181,842,732
Total equity		**3,087,899,485**	3,196,418,609

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Notes	2019	2018
EQUITY AND LIABILITIES (CONTINUED)		**QR**	QR
Liabilities			
Non-current liabilities			
Employee's end of service benefits	19	**12,201,935**	12,619,945
Borrowings	22	--	91,250,000
Other liabilities	21	--	11,986,827
Total non-current liabilities		**12,201,935**	115,856,772
Current liabilities			
Accounts payable and other credit balances	20	**293,411,204**	251,506,551
Borrowings	22	**91,250,000**	182,500,000
Other liabilities	21	**13,470,144**	26,696,328
Total current liabilities		**398,131,348**	460,702,879
Total liabilities		**410,333,283**	576,559,651
Total equity and liabilities		**3,498,232,768**	3,772,978,260

These financial statements were approved by the Board of Directors on January 26, 2020 and were signed on its behalf by:

Salem Bin Butti Al-Naimi
Chairman

Sulaiman Khalid Al Mana
Deputy Chairman

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

STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2019

	Notes	**2019**	2018
		QR	QR
Revenue	24	**703,035,600**	848,150,710
Cost of sales	25	**(515,501,222)**	(500,303,304)
Gross profit		**187,534,378**	347,847,406
Other income	26	**32,522,398**	42,886,032
General and administrative expenses	27	**(32,863,457)**	(33,940,728)
Selling and distribution expenses		**(6,452,628)**	(6,488,042)
Share of (loss)/profit from associates	8	**(2,485,613)**	3,269,285
Finance charges		**(6,091,605)**	(5,735,789)
Profit for the year		**172,163,473**	347,838,164
Basic and diluted earnings per share	28	**0.26**	0.53

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Notes	**2019**	2018
		QR	QR
Profit for the year		**172,163,473**	347,838,164
Other comprehensive income			
Items that will be reclassified subsequently to statement of profit or loss			
Net changes in share of fair value reserves of Associates	17	**3,633,819**	(1,822,209)
Items that will not be reclassified subsequently to statement of profit or loss			
Net changes in fair value of equity instruments at fair value through other comprehensive income	16	**46,752,141**	19,640,887
Other comprehensive income for the year		**50,385,960**	17,818,678
Total comprehensive income for the year		**222,549,433**	365,656,842

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

			Cumulative changes in fair value reserve related to			
	Share capital	**Legal reserve**	**Financial assets – FVTOCI**	**Related to financial assets of associates**	**Retained earnings**	**Total**
	QR	**QR**	**QR**	**QR**	**QR**	**QR**
Balance at January 1, 2018	653,528,940	326,764,470	6,643,352	8,412,685	2,138,196,297	3,133,545,744
Total comprehensive income for the year	--	--	19,640,887	(1,822,209)	347,838,164	365,656,842
Transfer to retained earnings for loss recognized on financial assets-equity sold (Note 16)	--	--	1,407,752	--	(1,407,752)	--
Social and sports fund contribution (Note 29)	--	--	--	--	(8,695,954)	(8,695,954)
Dividend distribution (Note 18)	--	--	--	--	(294,088,023)	(294,088,023)
Balance at December 31, 2018	653,528,940	326,764,470	27,691,991	6,590,476	2,181,842,732	3,196,418,609
Total comprehensive income for the year	--	--	46,752,141	3,633,819	172,163,473	222,549,433
Transfer to retained earnings for gain recognized on financial assets-equity sold (Note 16)	--	--	(24,316,503)	--	24,316,503	--
Social and sports fund contribution (Note 29)	--	--	--	--	(4,304,087)	(4,304,087)
Dividend distribution (Note 18)	--	--	--	--	(326,764,470)	(326,764,470)
Balance at December 31, 2019	**653,528,940**	**326,764,470**	**50,127,629**	**10,224,295**	**2,047,254,151**	**3,087,899,485**

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

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	2019	2018
	QR	QR
OPERATING ACTIVITIES		
Profit for the year	**172,163,473**	347,838,164
Adjustments for:		
Depreciation property, plant and equipment and investment properties	**175,304,970**	155,592,675
Provision for doubtful debts	--	(252,659)
Provision for obsolete and slow moving inventories	**1,309,473**	719,351
Rental income	**(9,573,373)**	(9,835,536)
Interest income	**(8,142,628)**	(20,652,836)
Dividend income from financial assets- equity instruments	**(14,224,117)**	(10,987,762)
Amortization of discount on long term payable	**1,483,315**	1,264,003
Share of loss/ (profit) from associates	**2,485,613**	(3,269,285)
Provision for employees' end of service benefits	**1,530,907**	1,476,222
Operating profit before working capital changes	**322,337,633**	461,892,337
Movements in working capital		
Inventories	**(179,495,064)**	(66,893,265)
Trade receivables	**(25,742,301)**	(50,677,444)
Prepayments and other debit balances	**(57,779,570)**	(12,164,334)
Other liabilities	**(26,531,833)**	(103,372,544)
Accounts payable and other credit balances	**46,132,027**	5,038,371
Cash generated by operations	**78,920,892**	233,823,121
Social and sports fund contribution paid	**(8,695,954)**	(8,173,108)
Payment for employees' end of service benefits	**(1,948,917)**	(814,686)
Net cash generated by operating activities	**68,276,021**	224,835,327
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, net of advance payment	**(31,426,519)**	(92,822,864)
Purchase of financial assets –equity instruments	**(82,415,383)**	(162,015,864)
Proceeds from disposal of financial assets –equity instruments	**123,933,622**	71,818,821
Rental income received	**9,573,373**	9,835,536
Interest income received	**7,752,115**	17,744,328
Dividend income from associates	**1,333,334**	2,835,000
Dividend income from financial assets-equity instruments	**14,224,117**	10,987,762
Net cash generated / (used in) investing activities	**42,974,659**	(141,617,281)

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

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	Note	2019	2018
		QR	QR
FINANCING ACTIVITIES			
Payments of borrowings		**(182,500,000)**	(90,400,000)
Dividends paid		**(326,764,470)**	(294,088,023)
Net cash used in financing activities		**(509,264,470)**	(384,488,023)
Net decrease in cash and cash equivalents		**(398,013,790)**	(301,269,977)
Cash and cash equivalents at the beginning of the year		**608,810,582**	910,080,559
Cash and cash equivalents at the end of the year	13	**210,796,792**	608,810,582

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

1. INCORPORATION AND ACTIVITIES

Qatar National Cement Company (Q.P.S.C.) (the "Company") was incorporated in the State of Qatar as a Qatari 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 a listed entity on the Qatar Stock Exchange.

The Company is primarily engaged in the production and sale of cement and washed sand 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 financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and amended IFRS Standards that are effective for the current year

In the current year, the Company, for the first time, has adopted IFRS 16 Leases (as issued by the IASB in January 2016). 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".

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is January 1, 2019.

Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control.

IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

a) recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;

b) recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and

c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the statement of profit or loss.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Company's financial statements.

Financial impact of initial application of IFRS 16

The adoption of IFRS 16 did not have any financial impact on the financial statements of the Company as all the lease agreements of the Company were considered as short term leases and the Company continued to record rental expense on straight line basis over the period of contract.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2. New and amended IFRS applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2019, have been adopted in these financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*	January 1, 2019
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	
The amendment applies to annual periods beginning on or after January 1, 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.	January 1, 2019
These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	
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*	January 1, 2019
The *Annual Improvements* include amendments to four Standards.	
IAS 12 *Income Taxes*	January 1, 2019
The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	
IAS 23 *Borrowing costs*	January 1, 2019
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and amended IFRS applied with no material effect on the financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 3 *Business Combinations* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	January 1, 2019
IFRS 11 *Joint Arrangements* The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	January 1, 2019
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*	January 1, 2019

The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.

New and revised IFRSs	Effective for annual periods beginning on or after
IFRIC 23 *Uncertainty over Income Tax Treatments* The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:	January 1, 2019

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

The application of these revised IFRSs has not had any material impact the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.3 New and amended IFRSs in issue but not yet effective and not early adopted

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective.

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	January 1, 2020
Definition of a Business – Amendments to IFRS 3 *Business Combinations* The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	January 1, 2020
Amendments to *References to the Conceptual Framework in IFRS Standards* Amendments to References to the Conceptual Framework in IFRS Standards related 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.	January 1, 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform	January 1, 2020
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at January 1, 2022.	January 1, 2022
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.	Effective date deferred indefinitely. Adoption is still permitted.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.3 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 16 as highlighted in previous paragraphs, may have no material impact on the consolidated financial statements of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the applicable provisions of Qatar Commercial Company Law.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for available for financial assets that are measured at fair value at the end of each reporting period.

These financial statements are presented in Qatari Riyal (QR), which is the Company's functional and presentation currency. The principal accounting policies are set out below.

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Company'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 Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the year in which the investment is acquired.

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. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset including applicable borrowing costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment as per IAS 16. The capitalised spares are considered necessary by management to ensure the continuity of the production process and are depreciated from the date they become available for use.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Estimated useful life of assets are as follows:

Major Building or erection of structure	20 years
Installation and extension of an item for the building	5 – 10 years
Capital spares (electrical and mechanical)	10 – 20 years
Plant equipment and tools	5 – 10 years
Motor vehicles	5 – 10 years
Furniture and fixtures	3-10 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Capital work in progress

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured at cost, including transaction costs.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. Investment properties, other than land are depreciated on a straight line basis over the estimated useful lives of 20 – 30 years. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less impairment losses, if any.
Intangible assets represent the cost of software development. The software development cost is amortized on straight-line basis over the estimated useful life of three years. The amortization expense is recognized in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets (continued)

The recoverable amount is the higher of fair value less costs of disposal and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value after taking an allowance for any slow moving or obsolete items. Cost comprises the purchase price, import duties, transportation handling and other direct costs incurred in bringing the inventories to their present location and condition. Cost is calculated as follows:

- Raw materials, minor spare parts and consumables: purchases cost on weighted average cost basis
- Work in progress and finished goods: cost of direct materials, direct labour, and other direct cost plus attributable overheads based on normal level of activity.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' benefits

Employees' end of service benefits

A provision is made for expatriate employees' end of service benefits which is payable on completion of employment. The provision is calculated in accordance with Qatari Labour Law based on employees' salary and accumulated period of service as at the reporting date.

End of service benefit for Qatari employees

With respect to its Qatari employees, the Company makes contributions to the General Pension Fund Authority calculated as percentage of the employees' salaries in accordance with the requirements of Law No. 24 of 2002 pertaining to Retirement and Pensions. The Company's obligations are limited to these contributions, which are expensed when due.

Employees' leave salary

Provisions for leave salary are determined as per the Management's policy applicable for each level of employees

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Listed shares held by the Company that are traded in an active market are classified as Equity instruments designated as at FVTOCI and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in Note 16.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss. Dividends are recognised when the Company's right to receive the dividends is established.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at at FVTOCI, trade receivables, contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases*.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables (including trade and other receivables, bank balances and cash and others) are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short term deposits with an original maturity of three months or less, net of bank overdrafts if any.

Trade receivables

Trade receivables are stated at original invoice amount, less any impairment for doubtful debts. An estimate of provision accounts is made based on the expected credit loss. Bad debts are written off as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

(i) it has been incurred principally for the purpose of repurchasing it in the near term; or
(ii) on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
(iii) it is a derivative that is not designated and effective as a hedging instrument.

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

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

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Financial liabilities at FVTPL (continued)

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities (including borrowings, accounts payables and other liabilities) are subsequently measured at amortised cost using the effective interest method. 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Sale of goods

For sales of goods to the market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer specific location (delivery). A receivable is recognised by the Company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the point of sale. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Dividend and interest revenue

Dividend revenue from investments is recognised when the Company's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

Rental income is recognised in the statement of profit or loss on a straight-line basis over the lease term.

Other income

Other income is recognized on an accrual basis.

Leases

The Company as lessee

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is presented as a separate line item in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Company as lessee (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

The Company applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Company as lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

[Leases under IAS 17, applicable before January 1, 2019]

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Company as lessee (continued)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign exchange difference

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except as otherwise stated in the Standards.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Basic and diluted earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. The other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

Related party transactions

Parties are considered to be related because they have the ability to exercise control over the Company or to exercise significant influence or joint control over the Company's financial and operating decisions. Further, parties are considered related to the Company when the Company has the ability to exercise influence, or joint control over the financial and operating decisions of those parties.

Transaction with related parties, normally, comprise transfer of resources, services, or obligations between the parties.

Events after the reporting period

The financial statements are adjusted to reflect events that occurred between the reporting date and when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the reporting date.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, management is 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 recognised 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.

Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Classification of investments

Management decides on the acquisition of an investment whether to classify it as fair value through other comprehensive income (FVTOCI), amortised cost, or financial assets at fair value through profit or loss. The Company classifies investments as amortised cost if the management objective is to hold financial assets in order to collect contractual cash flows or the financial asset, if the management objective is to achieve by both collecting contractual cash flows and selling the financial assets its measure the investment as FVTOCI. All other investments are measured at fair value through profit or loss (FVTPL).

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgments in applying accounting policies (continued)

Classification of investments (continued)

The Company invests substantially in quoted securities. The Management has primarily decided to account for them on their potential for long term growth rather than the short term profit basis. Consequently, the entire investments are recognized as fair value through other comprehensive income (FVTOCI) rather than at fair value through profit or loss(FVTPL).

Accounting policy for measurement of investment properties

Management of the Company is required to choose as its accounting policy either the fair value model or the cost model and shall apply this policy to all of its investment properties, except if it holds an investment property as a lessee under an operating lease, under which it is required to hold these investment properties only at fair value.

The Company has chosen to adopt the cost model for the purposes of measuring its investment properties in the statement of financial position.

Accounting for spare parts

Spare parts are recognised as property, plant and equipment when they are held for production and are expected to be used during more than one year. All other spares are considered as inventory. The capitalised spares are considered necessary by management to ensure the continuity of the production process and are considered "available for use" when the spare parts are in the store for use in the production.

Key management performance bonus

Key management receive a discretionary bonus each year which is decided upon by the Board of Directors, taking into account the Company's overall financial performance, percentage of profit on revenue and recovery of receivables.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of tangible and intangible assets

The Company's management evaluate whether there are indicators that suggest tangible and intangible assets have suffered impairment in accordance with accounting policies stated in Note 3. The recoverable amount of an asset is determined based on the fair value less cost of disposal of the specific asset impaired.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Estimated useful lives of investment properties, intangibles and property, plant and equipment

The costs of items of investment properties, intangibles and property, plant and equipment are depreciated on a systematic basis over the estimated useful lives of the assets. Management has determined the estimated useful lives of each asset and/ or category of assets based on the following factors:

- Expected usage of the assets,
- Expected physical wear and tear, which depends on operational and environmental factors; and
- Legal or similar limits on the use of the assets.

Management has estimated no residual values for any items of investment properties, intangibles and property, plant and equipment at the end of their useful lives as these have been deemed to be insignificant. Management regularly reviews this estimate based on market conditions at the end of each reporting period.

Provision for slow moving inventories

The Company's management determines the estimated amount of slow moving and obsolete inventories. This estimate is based on the aging of items in inventories. The provision is subject to change as a result of technical innovations and the usage of items. The Company's assessment of slow moving and obsolete spare parts is based on consistently applied percentages of each age group of such spare parts. Management regularly reviews the percentages used to reflect historical patterns of any change in circumstances.

Going concern

The Company's Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue the business for foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements is continued to be prepared on the going concern basis.

Fair value measurements

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages qualified external valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in respective notes.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Significant increase in credit risk

As explained in note 12, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

Calculation of loss allowance

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

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).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

5. PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK IN PROGRESS

	Buildings	Plant equipment and tools	Motor vehicles	Furniture and fixtures	Capital work in progress	Total
	QR	QR	QR	QR	QR	QR
Cost:						
At January 1, 2018	550,250,584	2,526,553,727	123,093,350	27,255,037	977,495,334	4,204,648,032
Additions	2,500	19,500,608	--	321,744	85,106,712	104,931,564
Transfers	242,648,062	814,607,699	--	25,150	(1,057,280,911)	--
At December 31, 2018	792,901,146	3,360,662,034	123,093,350	27,601,931	5,321,135	4,309,579,596
Additions	638,612	21,522,434	1,139,999	835,130	7,290,344	31,426,519
Transfers	1,545,100	375,962	--	--	(1,921,062)	--
At December 31, 2019	**795,084,858**	**3,382,560,430**	**124,233,349**	**28,437,061**	**10,690,417**	**4,341,006,115**
Accumulated depreciation and impairment						
At January 1, 2018	374,533,783	1,484,769,393	111,567,911	22,290,888	--	1,993,161,975
Depreciation for the year	26,673,644	122,918,431	3,945,013	1,601,870	--	155,138,958
At December 31, 2018	401,207,427	1,607,687,824	115,512,924	23,892,758	--	2,148,300,933
Depreciation for the year	29,430,667	141,123,018	3,096,462	1,201,105	--	174,851,252
At December 31, 2019	**430,638,094**	**1,748,810,842**	**118,609,386**	**25,093,863**	--	**2,323,152,185**
Net book value:						
December 31, 2019	**364,446,764**	**1,633,749,588**	**5,623,963**	**3,343,198**	**10,690,417**	**2,017,853,930**
December 31, 2018	391,693,719	1,752,974,210	7,580,426	3,709,173	5,321,135	2,161,278,663

5. PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK IN PROGRESS (CONTINUED)

a) The Company's cement plants, sand plants and buildings are constructed on land licensed from the State of Qatar via an Emiree decree. The license term for the land had expired in 2015. The Company is currently negotiating the lease agreement terms and conditions with Qatar Petroleum 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.

b) Plant, equipment and machinery includes capital spares with a net book value of QR. 200,793,531 (2018: QR. 197,974,555).

c) The capital work in progress consists of the following:

	2019	2018
	QR	QR
Construction of Cement Plant 5 at Umm Bab*	--	1,053,251,683
Water tank plant	--	1,545,100
Others	**12,611,479**	7,805,263
The amount transferred during the year	**(1,921,062)**	(1,057,280,911)
	10,690,417	5,321,135

* The amount is composed of the following:

	2019	2018
	QR	QR
Mechanical, electrical, engineering and civil works (1)	--	876,004,768
Electric service station (2)	--	57,368,297
Consultancy and other expenses (3)	--	119,878,618
	--	1,053,251,683

1) The Company has signed a contract on April 13, 2014 with a foreign contractor for the construction of Cement Plant 5 with a cement production capacity of 5,500 MT per day. The total value of the contract is Euro 99,300,000 plus USD 125,950,000. The construction of Plant 5 has been completed during the previous year, and the work in progress balance has been transferred to the respective property, plant and equipment categories.

2) The Company entered into contract with a local contractor on November 26, 2014 to provide design, engineering, supply, installation, testing and commission of sub-station for Cement Plant 5.

3) This includes borrowing costs capitalised during the year amounting to Nil (2018: QR. 6,049,259)

5. PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK IN PROGRESS (CONTINUED)

e) The depreciation charge for the year is included in the statement of profit or loss as follows:

	2019	2018
	QR	QR
Cost of sales	**171,438,556**	150,641,808
Selling and distribution expenses	**99,161**	88,976
General and administrative expenses	**3,313,535**	4,408,174
	174,851,252	155,138,958

6. INVESTMENT PROPERTIES

	2019	2018
	QR	QR
Cost		
Balance at beginning of the year	**42,556,999**	42,556,999
Balance at end of the year	**42,556,999**	42,556,999
Accumulated depreciation		
Balance at beginning of the year	**37,463,027**	37,009,310
Charge for the year	**453,718**	453,717
Balance at end of the year	**37,916,745**	37,463,027
Net book value at end of the year	**4,640,254**	5,093,972

Investment properties with a net book value of QR. 4.6 million were appraised by an accredited independent appraiser at a fair value of QR. 235 million as of December 31, 2019. 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. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Rental income for investment properties included in the statement of profit or loss for the year ended December 31, 2019 is QR. 6,150,004 (2018: QR. 6,599,937).

7. INTANGIBLE ASSETS

	2019	2018
	QR	QR
Cost		
Balance at beginning of the year	**5,872,169**	5,872,169
Balance at end of the year	**5,872,169**	5,872,169
Accumulated amortization		
Balance at beginning of the year	**5,872,169**	5,872,169
Charge for the year	**--**	--
Balance at end of the year	**5,872,169**	5,872,169
Net book value at end of the year	**--**	--

Intangible assets represent the cost of software development – SAP ERP, which was completed and implemented in 2013 and the total development cost incurred were transferred from capital work in progress and capitalized as intangible assets. The software development cost is amortized on straight line basis over the estimated useful life of three years.

8. INVESTMENTS IN ASSOCIATES

Details of the Company's associates at December 31, are as follows:

Name of the associates	Principal activity	Place of incorporation and operation	Proportion of ownership interest 2019	2018
			%	%
Qatar Saudi Gypsum Industries Co. (W.L.L.)	Production of gypsum	Qatar	**33.325**	33.325
Qatar Quarries & Building Materials Co. (P.Q.S.C)	Production of gabbro aggregate	Qatar	**20**	20

The movements in investments in associates during the year were as follows:

	2019	2018
	QR	QR
Balance at beginning of the year	**53,688,280**	55,076,204
Share of (loss)/profit	**(2,485,613)**	3,269,285
Dividend received	**(1,333,334)**	(2,835,000)
Net changes in fair value reserves (Note 17)	**3,633,819**	(1,822,209)
Balance at end of the year	**53,503,152**	53,688,280

The summarised financial information of the above individually immaterial associates based on their latest available financial statements is as follows:

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

(a) Qatar Saudi Gypsum Industries Co. (W.L.L.)

	2019	2018
	QR	QR
Share of net assets	31,274,577	29,161,504
Share of /(loss) profit	(75,514)	3,601,093
Share of other comprehensive (loss) / income	3,643,520	(1,875,403)
Dividend received	1,333,334	--

(b) Qatar Quarries & Building Materials Co. (P.Q.S.C.)

	2019	2018
	QR	QR
Share of net assets	22,228,985	24,526,773
Share of (loss)/ profit	(2,410,099)	(331,808)
Share of other comprehensive income /(loss)	(9,701)	53,194
Dividend received	--	2,835,000

9. FINANCIAL ASSETS- EQUITY INSTRUMENTS

The financial assets- equity instruments comprise investment in shares of companies listed on Qatar Exchange. The fair value of the quoted equity share is determined by reference to published price quotations in Qatar Exchange.

	2019	2018
	QR	QR
Financial assets at fair value through other comprehensive income (FVTOCI)	225,557,797	220,323,895
Balance at end of the year	225,557,797	220,323,895

The movements in financial assets- equity instruments during the year were as follows:

	2019	2018
	QR	QR
Balance at beginning of the year	220,323,895	110,485,965
Additions of financial assets- equity instruments	82,415,383	162,015,864
Disposal of financial assets- equity instruments	(123,933,622)	(73,226,573)
Net fair value gain/(loss) on financial assets- equity instruments	46,752,141	21,048,639
Balance at end of the year	225,557,797	220,323,895

10. INVENTORIES

	2019	2018
	QR	QR
Raw materials	**78,334,024**	90,800,277
Work in progress	**366,194,308**	173,492,450
Finished goods	**16,095,856**	35,626,295
Spare parts	**115,134,721**	103,438,370
Fuel, oil and lubricants	**1,619,558**	1,615,199
Other miscellaneous stocks	**6,185,976**	4,228,054
	583,564,443	409,200,645
Less: Provision for obsolete and slow moving items	**(21,163,946)**	(19,854,473)
	562,400,497	389,346,172
Goods in transit	**12,319,966**	7,188,700
	574,720,463	396,534,872

Movement for provision for obsolete and slow moving inventories as at December 31:

	2019	2018
	QR	QR
Balance at beginning of the year	**19,854,473**	19,135,122
Provisions for the year, net	**1,309,473**	719,351
Balance at end of the year	**21,163,946**	19,854,473

11. PREPAYMENTS AND OTHER DEBIT BALANCES

	2019	2018
	QR	QR
Advances to suppliers	**90,304,928**	28,320,752
Prepayments and other assets	**6,791,267**	10,605,094
	97,096,195	38,925,846

12. TRADE RECEIVABLES

	2019	2018
	QR	QR
Accounts receivable	**317,678,354**	291,936,319
Provision for doubtful debts	**(3,614,169)**	(3,614,169)
	314,064,185	288,322,150

The average credit period on sales of goods is 90 days. No interest is charged on outstanding trade receivables. The Company obtains bank guarantees from its customers.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime Expected Credit Losses (ECL) using the simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period as compared to those made at December 31, 2018.

The following table shows the movement in lifetime ECL that has been recognised in accordance with the simplified approach set out in IFRS 9.

	2019	2018
	QR	QR
Balance January 1	**3,614,169**	3,866,828
Increase in loss allowance during the year	--	(252,659)
Amounts written off	--	--
Amounts recovered	--	--
Foreign exchange gains and loss	--	--
Balance as at December 31	**3,614,169**	3,614,169

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, and when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

In determining the recoverability of a trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that no further provision is required in excess of the current allowance for doubtful debts.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2019	2018
	QR	QR
Cash on hand	**65,485**	59,430
Call and current accounts	**15,892,904**	3,608,028
Short term fixed deposits maturing within 90 days	**194,838,403**	605,143,124
	210,796,792	608,810,582

The short term fixed and call deposits have a profit rate of 2.35% to 4 % per annum during the year (2018: 2.75% to 4.25%). All short-term deposits have original maturity of three months or less.

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central bank. Accordingly, the management of the Company estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month expected credit losses (ECL). None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Company have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

14. SHARE CAPITAL

	2019	2018
	QR	QR
Balance at beginning of the year	**653,528,940**	653,528,940
Balance at end of the year	**653,528,940**	653,528,940

The authorized, issued and fully paid up capital of the Company at December 31, 2019 amounted to QR. 653,528,940 (653,528,940 shares at QR. 1 each) [Note 28]

15. LEGAL RESERVE

The statutory reserve of the Company, amounting to QR. 326,764,470 as at December 31, 2019, (2018 QR. 326,764,470) was created pursuant to Qatar Commercial Companies' Law, which mandates 10% of the net profit for the year is to be deducted annually and retained in the legal reserve account. The deduction is suspended when the balance in this reserve account amounts to at least 50% of the Company's capital. This reserve is not available for distribution except in the circumstances specified in the law.

16. FAIR VALUE OF FINANCIAL ASSETS – EQUITY RESERVE

The reconciliation of movements in the investment revaluation reserve for years 2019 and 2018 is presented below:

	2019	2018
	QR	QR
Balance as at beginning of the year	**27,691,991**	--
Cumulative effect of first time adoption of IFRS 9 *	--	6,643,352
Balance as at beginning of the year (Restated)	**27,691,991**	6,643,352
Change during the year:		
Fair value gain arising during the period	**46,752,141**	19,640,887
Cumulative (gain)/loss on investments in equity instruments designated as at FVTOCI transferred to retained earnings upon disposal	**(24,316,503)**	1,407,752
Balance at December 31, 2019	**50,127,629**	27,691,991

* The cumulative effect of first time adoption of IFRS 9 includes:

Fair value reserve transferred, related to available-for-sale investments	15,308,875
Reversal of impairment taken prior to January 1,2018	(8,665,523)
	6,643,352

17. SHARE OF FAIR VALUE RESERVES OF ASSOCIATES

	2019	2018
	QR	QR
Balance at beginning of the year	**6,590,476**	8,412,685
Net changes in fair value reserves	**3,633,819**	(1,822,209)
Balance at end of the year	**10,224,295**	6,590,476

18. DIVIDEND

The Board of Directors of the Company proposed a cash dividend of 30 % on the paid up capital which amounted to QR 196,058,682 for the year 2019.

During the annual General Assembly held on February 11, 2019, it was decided to declare a cash dividend of 50% of the paid up capital amounting to QR. 326,764,470 (2018: QR 294,088,023), relating to the year 2018.

19. EMPLOYEES' END OF SERVICE BENEFITS

	2019	2018
	QR	QR
Balance at beginning of the year	12,619,945	11,958,409
Provisions during the year	1,530,907	1,476,222
Paid during the year	(1,948,917)	(814,686)
	12,201,935	12,619,945

20. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2019	2018
	QR	QR
Accruals and provisions	132,189,898	125,895,082
Dividends payable	88,276,490	80,917,638
Accounts payable	46,983,342	16,112,871
Advances from customers	6,720,081	5,180,809
Accrual for proposed directors' remuneration	5,398,000	9,500,000
Retention payable	576,350	574,898
Provisions for social and sports fund contribution	4,304,087	8,695,954
Other payables	8,962,956	4,629,299
	293,411,204	251,506,551

21. OTHER LIABILITIES

	2019	2018
	QR	QR
Claims payable to Qatar Petroleum *	13,470,144	38,385,420
Payable to contractors **	--	297,735
	13,470,144	38,683,155
Presented in the statement of financial position:		
Non-current	--	11,986,827
Current	13,470,144	26,696,328
	13,470,144	38,683,155

21. OTHER LIABILITIES (CONTINUED)

* Claims from Qatar Petroleum include the following:

	2019	2018
	QR	QR
Claims against capital assets (a)	**5,558,220**	16,660,060
Claims against quantities supplied (b)	**7,658,432**	22,955,183
Effect of discounting long term payable	**253,492**	(1,229,823)
	13,470,144	38,385,420

a) Qatar Petroleum and the Company entered into an agreement with effect from July 2015 to pay the outstanding cost recovery amount of QR. 55,582,195 for Cement Plant 4 in 60 equal monthly instalments.

The cost recovery mainly consists of expenses related to installation of pipe lines, metering facilities and other related costs incurred towards the supply of natural gas for the Cement Plant 4 located at Umm Bab.

b) Qatar Petroleum and the Company also had entered into an agreement related to an amount of QR. 92,128,817 outstanding for take or pay claims against quantity supplied to the Cement Plant 1 to 4 in the prior years. In July 2015, the Company settled QR. 4,056,553 and an amount of QR. 11,482,392 was waived by Qatar Petroleum. The remaining balance of QR. 76,589,872 shall be paid in 60 equal monthly instalments with effect from July 2015.

The claims against quantities supplied represent the dues, pursuant to the gas sales and purchase agreements with Qatar Petroleum signed in the years 2007 and 2009 for consumption of natural gas on the basis of take and pay or, pay if not taken the unutilized quantities by the Company. These obligations relate to the years 2007 to 2013 for which the Company has waived its rights over the "Make over Gas".

22. 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 100,000,000. As per the terms of the agreement, this facility shall be utilised to finance the construction of new Cement Plant 5. The Company has utilised an amount of USD 100,000,000 (QR. 365,000,000). The rate of interest of the loan is LIBOR + 1.3%.

	2019	2018
	QR	QR
Balance at beginning of the year	**273,750,000**	364,150,000
Payments made during the year	**(182,500,000)**	(91,250,000)
Foreign currency revaluation	**---**	850,000
Balance at the end of the year	**91,250,000**	273,750,000
Presented in the financial statements:		
Non-current portion	--	91,250,000
Current portion	**91,250,000**	182,500,000
	91,250,000	273,750,000

23. RELATED PARTY DISCLOSURES

Related parties, as defined in International Accounting Standard 24: *Related Party Disclosures*, include associate companies, major shareholders, directors and other key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were approved by management.

a) Transactions with Government and its agencies

Various Government entities together holds 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 for natural gas and Kahramaa for power supply.

The rental income includes a sum of QR. 5 million for the year ended December 31, 2019 (2018: QR. 5 million) from the Government of Qatar.

23. RELATED PARTY DISCLOSURES (CONTINUED)

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. The remuneration proposed to the Board of Directors during the year has been separately recognized within general and administrative expenses (Note 27).

During the year ended December 31, 2019, the Company has paid a sum of QR. 1.05 million (2018: QR. 1.88 million) to members of the Committees of the Board of Directors and salaries and benefits paid to key members of management amounted to QR 4.36 million (2018: QR. 4.52 million).

24. REVENUE

	2019	2018
	QR	QR
Cement	**572,711,303**	682,932,121
Sand	**121,403,986**	156,831,527
Others	**8,920,311**	8,387,062
	703,035,600	848,150,710

25. COST OF SALES

	2019	2018
	QR	QR
Raw materials including fuel and spare parts	**245,914,669**	260,117,812*
Depreciation (Note 5 (e))	**171,438,556**	150,641,808
Direct labour and other costs	**98,147,997**	89,543,684
	515,501,222	500,303,304

* During the previous year, the Company has received from Kahramaa Management to retain the basis of the Minimum Contracted Quantity to 85% from 65% of the Total Annual Quantity as agreed in the contract starting from 2009. This resulted in a reversal of electricity charges accrued by the Company from 2009 to 2017 with an amount of QR 50,114,467 during the previous year. (Note 34 (iv))

26. OTHER INCOME

	2019	2018
	QR	QR
Rental income	**9,573,373**	9,835,536
Transportation income	**494,581**	650,184
Interest income	**8,142,628**	20,652,836
Dividend income from Financial assets- equity instruments	**14,224,117**	10,987,762
Other miscellaneous income	**87,699**	759,714
	32,522,398	42,886,032

27. GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
	QR	QR
Salaries and benefits	**11,830,117**	13,673,134
Directors' remuneration (Note 23)*	**5,398,000**	8,750,000
Loss on foreign currency exchange	**55,989**	191,345
Depreciation of property, plant and equipment and investment properties (Notes 5e and 6)	**3,767,253**	4,861,891
Provision for obsolete and slow moving inventories (Note 10)	**1,309,473**	719,351
Other miscellaneous expenses	**10,502,625**	5,745,007
	32,863,457	33,940,728

* Represents provision for proposed director remuneration which is subject to any comments by Qatar Financial Market Authority.

Salaries and benefits for the year is included in the statement of profit or loss as follows:

	2019	2018
	QR	QR
Cost of sales	**38,017,767**	39,549,063
Selling and distribution expenses	**2,214,640**	1,949,457
General and administrative expenses	**11,830,117**	13,673,134
	52,062,524	55,171,654

28. BASIC AND DILUTED EARNINGS PER SHARE

a) Basic earnings per share

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

	2019	2018
	QR	QR
Profit attributable to ordinary shareholders (QR)	172,163,473	347,838,164
Weighted average number of ordinary shares outstanding (2018 restated to reflect stock split)	653,528,940	653,528,940
Basic earnings per share in QR	0.26	0.53

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 implemented 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.

29. SOCIAL AND SPORTS FUND CONTRIBUTION

In accordance with Law No. 13 of 2008, the Company has taken a provision for the support of sports, social, cultural and charitable activities with an amount equivalent to 2.5% of the net profit. This social and sports contribution is considered as an appropriation of retained earnings of the Company and presented in the statement of changes in equity.

The Company made an appropriation from retained earnings amounting to QR. 4,304,087 for the year ended December 31, 2019 (2018: QR. 8,695,954) for contribution to the Social and Sports Development Fund of Qatar.

30. SEGMENT REPORTING

The Company is organized into two major business segments, which comprises the manufacturing and sale of cement and sand, and other by-products. Geographically, the Company's entire business operations are concentrated in the State of Qatar. The Chief Operating Decision Makers evaluate the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. The Company has elected to disclose only the results of operating segments in the financial statements as management does not maintain and capture segment-wise information about assets and liabilities as it is not required for decision making purposes.

December 31, 2019:

	Cement	Sand	Others	Total
	QR	QR	QR	QR
Sales	**572,711,303**	**121,403,986**	**8,920,311**	**703,035,600**
Cost of sales	**(419,227,065)**	**(91,052,990)**	**(5,221,167)**	**(515,501,222)**
Gross profit	**153,484,238**	**30,350,996**	**3,699,144**	**187,534,378**
Other income	--	--	**32,522,398**	**32,522,398**
General and administrative expenses	**(26,771,437)**	**(5,675,039)**	**(416,981)**	**(32,863,457)**
Selling and distribution expenses	**(5,256,480)**	**(1,114,275)**	**(81,873)**	**(6,452,628)**
Finance costs	--	--	**(6,091,605)**	**(6,091,605)**
Share of profit from associates	--	--	**(2,485,613)**	**(2,485,613)**
Profit for the year	**121,456,321**	**23,561,682**	**27,145,470**	**172,163,473**

December 31, 2018:

	Cement	Sand	Others	Total
	QR	QR	QR	QR
Sales	682,932,121	156,831,527	8,387,062	848,150,710
Cost of sales	(376,517,934)	(117,623,645)	(6,161,725)	(500,303,304)
Gross profit	306,414,187	39,207,882	2,225,337	347,847,406
Other income	--	--	42,886,032	42,886,032
General and administrative expenses	(28,418,012)	(5,220,830)	(301,886)	(33,940,728)
Selling and distribution expenses	(5,224,180)	(1,199,703)	(64,159)	(6,488,042)
Finance costs	--	--	(5,735,789)	(5,735,789)
Share of profit from associates	--	--	3,269,285	3,269,285
Profit for the year	272,771,995	32,787,349	42,278,820	347,838,164

31. FINANCIAL INSTRUMENTS

Financial instruments represent any contractual agreement that creates a financial asset, financial liability or an equity instrument. Financial assets comprise cash and bank balances, trade receivables and equity instruments investments. Financial liabilities comprise borrowings, accounts payable and other liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have significant effect on the recorded fair value observable, either directly or indirectly.
Level 3: techniques which uses input which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, the Company held the following financial instruments measured at fair value:

	December 31, 2019	Level 1	Level 2	Level 3
	QR	QR	QR	QR
Financial asset-equity instrument	225,557,797	225,557,797	--	--

	December 31, 2018	Level 1	Level 2	Level 3
	QR	QR	QR	QR
Financial asset-equity instrument	220,323,895	220,323,895	--	--

During the year, there were no transfers between level 1, level 2 and level 3 categories of fair value.

32. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

Regularly, the Company reviews its capital structure and considers the cost of capital and the risks associated with it. It manages its capital to ensure that it will be able to support its operations while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Company is not subject to any externally imposed capital requirements.

Gearing ratio
The gearing ratio at year end was as follows:

	2019	2018
	QR	QR
Borrowing	**91,250,000**	273,750,000
Cash and bank balance	**(210,796,792)**	(608,810,582)
Net debt	**(119,546,792)**	(335,060,582)
Equity	**3,087,899,485**	3,196,418,609
Net debt to equity ratio	**--**	--

33. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise borrowing, accounts payables and other liabilities. The main purpose of these financial liabilities is to management Company's cash flows and partially finance capital work in progress. The Company has various financial assets such as accounts and other receivables, financial assets- equity instruments and cash and cash equivalents, which arise directly from operations.

The main risk arising from Company's financial instruments are liquidity risk, credit risk and market risk (including currency risk, interest rate risk and other price risk). The Company seeks to minimize the effect if these risks by diversifying the sources of its capital. The Management reviews and agrees policies for managing each of these risks, which are summarized below:

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate reserves, banking facilities, and by continually monitoring cash flows and matching the maturity profiles of financial assets and liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following are the contractual maturities of financial liabilities:

	Carrying amount	Less than 1 year	More than 1 year less than 5 years	More than 5 years
	QR	**QR**	**QR**	**QR**
December 31, 2019				
Borrowings	**91,250,000**	**91,250,000**	--	--
Accounts payable and other credit balances	**293,411,204**	**293,411,204**	--	--
Other liabilities	**13,470,144**	**13,470,144**	--	--
	398,131,348	**398,131,348**	--	--

	Carrying amount	Less than 1 year	More than 1 year less than 5 years	More than 5 years
	QR	QR	QR	QR
December 31, 2018				
Borrowings	273,750,000	182,500,000	91,250,000	--
Accounts payable and other credit balances	251,506,551	251,506,551	--	--
Other liabilities	38,683,155	26,696,328	11,986,827	--
	563,939,706	460,702,879	103,236,827	--

Credit risk

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at December 31, 2019, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company arises from:

- the carrying amount of the respective recognised financial assets as stated in the statement of financial position; and
- the maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised as disclosed in note 3. The related loss allowance is disclosed in note 12.

In order to minimise credit risk, the Company has tasked its Management to develop and maintain the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Management uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (continued)

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

The loss allowance as at December 31, 2019 and December 31, 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

	Days past due					
31/12/2019	**Up to 30 days**	**31 – 90 days**	**91-180 days**	**181-365 days**	**Over 365 days**	**Total**
	QR	**QR**	**QR**	**QR**	**QR**	**QR**
-Trade receivables (note 12)	**54,579,781**	**79,093,534**	**66,631, 077**	**46,400,534**	**70,973,428**	**317,678,354**
Loss allowance	--	--	--	--	**(3,614,169)**	**(3,614,169)**
						314,064,185

	Days past due					
31/12/2018	**Up to 30 days**	**31 – 90 days**	**91-180 days**	**181-365 days**	**Over 365 days**	**Total**
	QR	**QR**	**QR**	**QR**	**QR**	**QR**
-Trade receivables (note 12)	64,561,478	91,697,134	86,379,080	29,422,108	19,876,519	291,936,319
Loss allowance	(796,043)	(1,130,626)	(1,065,054)	(362,775)	(259,671)	(3,614,169)
						288,322,150

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (continued)

For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to the concentration of credit risk are cash at banks, accounts and other receivables.

Accounts receivable

The Management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis. The Company manages its credit risk by obtaining bank guarantees from the customers. Also, further credit evaluations are performed on all customers requiring credit and are approved by the management.

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. The Company maintains a provision of doubtful debts. Bad debts are written off when there is no possibility of recovery.

Cash at banks

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Bank balances are held with reputed banks in Qatar. Given these reputation, management do not expect these banks to fail on their obligations.

The maximum risk exposure to the Company is represented in the carrying amount of these instruments as disclosed in the relevant notes.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The market risk primarily consists of the followings:

- Interest rate risk
- Foreign currency risk
- Equity price risk

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

The Company has maintained recognized financial instruments which are subject to interest rate risk and which may potentially result in changes in the contractually determined cash flows associated with or may cause reprising of such financial instruments.

The Company is exposed to interest rate risk on its interest-bearing financial assets. Management does not hedge its interest rate risk.

The sensitivity of the Company's profit to change in interest rate on interest bearing assets based on balance as at the reporting date.

At the reporting date, the profile of the Company's interest-bearing financial instruments was:

	2019	2018
	QR	QR
Short term fixed deposits	**194,838,403**	605,143,124
Borrowings	**(91,250,000)**	(273,750,000)
	103,588,403	331,393,124

Interest rate sensitivity

The following table demonstrates the sensitivity of the interest to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant.

	2019	2018
	QR	QR
Short term fixed deposits	**992,304**	1,512,858
Borrowings	**(227,808)**	(684,375)
	764,496	828,483

(i) Foreign currency risk

The Company incurs foreign currency risk on its purchases that are denominated in a currency other than Qatari Riyal which is Company's functional and presentation currency.

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's exposure to foreign currency risk on the transactions that are denominated in USD is minimal as Qatari Riyal is pegged against USD.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate sensitivity (continued)

(i) Foreign currency risk (continued)

The Company's exposure to the foreign currency risk is as follows based on notional amounts.

	USD	**Euro**	**Total**
	QR	**QR**	**QR**
December 31, 2019			
Financial assets			
Bank accounts	**362,217**	**120,328**	**482,545**
Total financial assets	**362,217**	**120,328**	**482,545**
Financial liabilities			
Accounts payable and other liabilities	**10,812,078**	**2,958,320**	**13,770,398**
Borrowings	**91,250,000**	--	**91,250,000**
Total financial liabilities	**102,062,078**	**2,958,320**	**105,020,398**

	USD	Euro	Total
	QR	QR	QR
December 31, 2018			
Financial assets			
Bank accounts	396,190	451,218	847,408
Total financial assets	396,190	451,218	847,408
Financial liabilities			
Accounts payable and other liabilities	23,127,015	1,190,664	24,317,679
Borrowings	273,750,000	--	273,750,000
Total financial liabilities	296,877,015	1,190,664	298,067,679

Foreign currency sensitivity analysis

The Company is mainly exposed to Euro as the US Dollar is pegged to Qatari Riyal (QR).

The following paragraph details the Company's sensitivity to a 10% increase and decrease in the QR against Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate sensitivity (continued)

(i) Foreign currency risk (continued)

Foreign currency sensitivity analysis (continued)

At December 31, 2019, if the QR had weakened/strengthened by 10% against Euro with all other variables held constant, profit for the year would have been QR. 283,799 (2018: QR. 73,945) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Euro denominated accounts receivable, call and fixed deposits and foreign exchange losses/gains on translation of Euro denominated accounts and other liabilities.

(ii) Equity price risk

Equity price risk is the risk that the fair values of equity instruments change as a result of changes in the price indices of investments in other entities' equity instruments as part of the Company's investment portfolio.

The following table demonstrates the sensitivity of the effect of cumulative changes in fair value to reasonably possible changes in quoted equity share prices, with all other variables held constant. The effect of change in equity prices is expected to be equal and opposite to the effect of the increase shown.

	Changes in equity prices	Effect on equity	
	QR	**2019**	2018
		QR	QR
Financial assets- equity instruments	+ / - 10%	**22,555,780**	22,032,390

34. COMMITMENTS AND CONTINGENCIES

(i) The Company had the following commitments and contingent liabilities outstanding at December 31:

	2019	2018
	QR	QR
Contractual commitments	**3,113,739**	8,848,188
Letters of credit	**7,899,191**	4,100,564

(ii) Letters of credit include a sum of nil as at December 31, 2019 (2018: QR. nil) related to the construction of new Cement Plant 5 at Umm Bab – State of Qatar.

(iii) 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. 68 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 financial statements.

(iv) 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 the books of account as of December 31, 2019.