

**INVESTMENT HOLDING GROUP - Q.P.S.C.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

**AS AT AND FOR THE SIX-MONTH PERIOD ENDED  
JUNE 30, 2020**

# **INVESTMENT HOLDING GROUP - Q.P.S.C**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT**

**AS AT AND FOR THE SIX-MONTH PERIOD ENDED  
JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REVIEW REPORT

**TO THE BOARD OF DIRECTORS  
INVESTMENT HOLDING GROUP (Q.P.S.C.)  
DOHA – QATAR**

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of **Investment Holding Group Q.P.S.C** (the "Company" or "Parent") and its subsidiaries (together referred to as the "Group") for the six month period ended June 30, 2020 comprising of interim consolidated financial position as at June 30, 2020 and the related interim consolidated statements of profit or loss, interim consolidated statement of other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended and the related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

- Referring to the details mentioned in note (22.1) to the interim condensed consolidated financial statements, and taking into consideration the undertaking letter given by the founders the Company to undertake any losses that might result from non-collection of the amounts due from the main contractor up to the end of the year 2016. We are unable to determine provision needed, if any, resulting from non-collection of the amounts due from the main contractor of that project or from the liability to settle the whole amount of borrowings due to one of the local banks by the joint venture as the other partner in the joint venture is under liquidation.

### **Qualified Conclusion**

Based on our review, *except for the possible effect of the matter described in the Basis for Qualified Conclusion section of our report*, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of **Investment Holding Group (Q.P.S.C)** as at and for the six-month period ended June 30, 2020 are not prepared, in all material respects, in accordance with International Accounting Standard No. (34), "Interim Financial Reporting".

### **Emphasis of Matters**

- 1- We draw attention to note no. (22.2) to the interim condensed consolidated financial statements, which describes that one of the subsidiaries of the Group – Trelco Building Material – W.L.L ("the subsidiary") subject to liquidation proceedings initiated by one its Partners. The First Court had issued its order in this regard on September 30, 2019 and the Group's management have filed an appeal with Court of Appeals to annul the decision of the First Court. On April 2, 2020 The Court of Appeals has ordered to suspend the execution of the liquidation ruling until the grievance submitted by the Company is decided. As a result, in the accompanying interim condensed consolidated financial statements the Company continues to consolidate the financial statements of the subsidiary.
- 2- One of the Group's subsidiaries raised a variation claim due to extension of the project's time for one of its customers amounted to QR. 28.5 Million. The Group's management is in the process of negotiating with the customer the recoverability of the amount. Independent claim expert consultant report indicates high possibility of recoverable of these variation amounts.

## INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

### Emphasis of Matters (Continued)

- 3- Gross amount due from customers on contract work as at June 30, 2020 includes an amount of QR. 13,619,343 aged for more than 3 years, represents claims submitted to customers on account of unapproved variations amounted to QR. 8,990,395 and bills raised but not yet certified by the customers amounted to QR. 4,628,948. The Group's Management is in the process of negotiating the recoverability of those balances.

Our conclusion is not modified in respect of those matters.

**Rödl & Partner – Qatar Branch**  
**Certified Public Accountants**

**Doha –Qatar**  
**August 10, 2020**



**Hikmat Mukhaimer, FCCA (UK)**

**License No. 297**

**QFMA Registration Auditor's No. 120151**



Investment Holding Group Q.P.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020 QR (Reviewed)	31 December 2019 QR (Audited)
	Notes		
<b>ASSETS</b>			
<b>Current assets</b>			
Bank balances and cash	5	69,286,986	63,910,115
Accounts receivable and other debit balances	6	176,009,828	203,939,257
Gross amounts due from customers on contract work		245,261,880	237,234,837
Due from related parties	7(a)	20,237,470	25,149,286
Inventories	8	59,282,420	59,483,373
<b>Total current assets</b>		<b>570,078,584</b>	<b>589,716,868</b>
<b>Non-current assets</b>			
Retention receivables		53,406,682	36,887,620
Financial assets at fair value through profit or loss		31,000,000	31,000,000
Goodwill	11	711,492,489	711,492,489
Investment properties	9	22,127,748	22,816,776
Right-of-use assets		8,836,873	13,118,663
Property and equipment	10	15,614,070	17,170,935
<b>Total non-current assets</b>		<b>842,477,862</b>	<b>832,486,483</b>
<b>TOTAL ASSETS</b>		<b>1,412,556,446</b>	<b>1,422,203,351</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	830,000,000	830,000,000
Legal reserve	13	11,851,341	11,851,341
Other reserve		(152,508,123)	(152,508,123)
Revaluation reserve		14,398,000	14,398,000
Retained earnings		107,738,456	92,336,622
<b>Equity attributable to shareholders of the Parent</b>		<b>811,479,674</b>	<b>796,077,840</b>
Non-controlling interests	20	23,140,312	22,313,139
<b>Total Equity</b>		<b>834,619,986</b>	<b>818,390,979</b>

The attached notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

## Investment Holding Group Q.P.S.C.

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)


As at 30 June 2020

		30 June 2020 QR (Reviewed)	31 December 2019 QR (Audited)
	Notes		
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank overdrafts	5	58,068,278	59,332,384
Borrowings	14	207,874,452	185,592,743
Lease liabilities		4,740,979	8,471,775
Due to related parties	7(b)	29,767,677	43,794,631
Gross amounts due to customers on contract work		3,105,833	4,058,883
Dividend payable		3,677,988	3,828,565
Accounts payable and accruals	15	161,392,720	183,659,193
<b>Total current liabilities</b>		<b>468,627,927</b>	<b>488,738,174</b>
<b>Non-current liabilities</b>			
Borrowings	14	83,333,334	87,795,993
Lease liabilities		4,252,026	4,795,993
Retentions payable		63,912	614,634
Employees' end of service benefits	16	21,659,261	21,867,578
<b>Total non-current liabilities</b>		<b>109,308,533</b>	<b>115,074,198</b>
<b>Total liabilities</b>		<b>577,936,460</b>	<b>603,812,372</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,412,556,446</b>	<b>1,422,203,351</b>


These interim condensed consolidated financial statements were approved by the Board of Directors and signed on their behalf by the following on August 10, 2020:



\_\_\_\_\_  
Sheikh Nasser bin Ali bin Saud Al Thani  
Board Member



\_\_\_\_\_  
Mr. Samer Wahbeh  
Group Chief Executive Officer



\_\_\_\_\_  
Mr. Mohammed Abdalla  
Group Chief Financial Officer

The attached notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

# Investment Holding Group Q.P.S.C.

## INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2020

	<i>Notes</i>	<i>For the six-month period ended 30 June,</i>	
		<i>2020 QR (Reviewed)</i>	<i>2019 QR (Reviewed)</i>
Revenue	17	150,914,195	211,696,572
Direct costs		<u>(115,071,418)</u>	<u>(159,623,829)</u>
<b>Gross profit</b>		<b>35,842,777</b>	<b>52,072,743</b>
Other income		14,386,448	13,226,804
Fair value (losses)/ gains on investment properties	9	(353,373)	1,944,625
General and administrative expenses	18	(27,256,309)	(30,267,098)
Finance costs		<u>(6,390,536)</u>	<u>(7,536,141)</u>
<b>Net profit for the period</b>		<b><u>16,229,007</u></b>	<b><u>29,440,933</u></b>
<b>Net profit attributable to:</b>			
Shareholders of the Parent		15,401,834	27,838,489
Non-controlling interests		<u>827,173</u>	<u>1,602,444</u>
<b>Net profit for the period</b>		<b><u>16,229,007</u></b>	<b><u>29,440,933</u></b>
Basic and diluted earnings per share	19	<u><b>0.019</b></u>	<u>0.034</u>

The attached notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Investment Holding Group Q.P.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2020

	<i>For the six-month period ended 30 June,</i>	
	<i>2020</i>	<i>2019</i>
	<i>QR</i>	<i>QR</i>
<i>Notes</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Net profit for the period	16,229,007	29,440,933
<b>Other comprehensive income:</b>		
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
Revaluation surplus from transfer of property plant and equipment to investment property	--	14,625,000
<b>Other comprehensive income for the period</b>	<u>--</u>	<u>14,625,000</u>
<b>Total comprehensive income</b>	<u>16,229,007</u>	<u>44,065,933</u>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Parent	15,401,834	42,463,489
Non-controlling interests	<u>827,173</u>	<u>1,602,444</u>
	<u>16,229,007</u>	<u>44,065,933</u>

The attached notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Investment Holding Group Q.P.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2020

	Attributable to shareholders of the parent						Non- controlling interest QR	Total equity QR
	Share capital QR	Legal reserve QR	Revaluation reserve QR	Other reserve QR	Retained earnings QR	Total QR		
Balance as at 1 January 2020 (Audited)	830,000,000	11,851,341	14,398,000	(152,508,123)	92,336,622	796,077,840	22,313,139	818,390,979
Net profit for the period	--	--	--	--	15,401,834	15,401,834	827,173	16,229,007
Other comprehensive income	--	--	--	--	--	--	--	--
Total comprehensive income	--	--	--	--	15,401,834	15,401,834	827,173	16,229,007
Balance as at 30 June 2020 (Reviewed)	830,000,000	11,851,341	14,398,000	(152,508,123)	107,738,456	811,479,674	23,140,312	834,619,986
Balance as at 1 January 2019 (Audited)	830,000,000	8,857,760	--	(152,508,123)	62,383,494	748,733,131	24,766,544	773,499,675
Net profit for the period	--	--	--	--	27,838,489	27,838,489	1,602,444	29,440,933
Other comprehensive income	--	--	14,625,000	--	--	14,625,000	--	14,625,000
Total comprehensive income	--	--	14,625,000	--	27,838,489	42,463,489	1,602,444	44,065,933
Dividends distribution	--	--	--	--	(20,750,000)	(20,750,000)	(1,960,000)	(22,710,000)
Balance as at 30 June 2019 (Reviewed)	830,000,000	8,857,760	14,625,000	(152,508,123)	69,471,983	770,446,620	24,408,988	794,855,608

The attached notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

## Investment Holding Group Q.P.S.C.

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2020

		For the six-month period ended 30 June	
		2020	2019
		Reviewed	
Notes		QR.	QR.
<b>OPERATING ACTIVITIES</b>			
	Net profit for the period	16,229,007	29,440,933
	<i>Adjustments for:</i>		
	Depreciation of property and equipment and right-of-use assets	6,413,707	4,235,946
9	Fair value losses/ (gains) from investment properties	353,373	(1,944,625)
	Reversal of allowance for obsolete and slow-moving items	(3,500,000)	-
	(Reversal)/Charge of allowance for expected credit losses	(341,435)	264,176
	Gain on sale of property and equipment	(25,146)	(371,406)
	Bad debt direct write-off	140,615	--
	Net movement in retention receivable discounting charges	(42,031)	--
	Finance costs	6,390,536	7,536,141
16	Provision for employees' end of service benefits	1,568,913	1,586,985
		27,187,539	40,748,150
	<i>Changes in working capital:</i>		
	Inventories	3,700,953	17,635,680
	Due from/to related parties	(9,115,138)	(10,127,192)
	Gross amount due from/to customers on contract work	(8,980,093)	(6,154,688)
	Accounts receivable and other debit balances	28,130,249	(32,505,625)
	Accounts payable and accruals	(22,266,473)	(1,103,259)
	Retentions receivable	(16,477,031)	2,104,166
	Retention payable	(550,722)	37,847
	<b>Cash generated from operating activities</b>	1,629,284	10,635,079
	Finance cost paid	(6,083,514)	(7,536,141)
16	Employees' end of service benefits paid	(1,777,230)	(2,856,896)
	<b>Net cash (used in)/ generated from operating activities</b>	(6,231,460)	242,042
<b>INVESTING ACTIVITIES</b>			
10	Acquisition of property and equipment	(575,046)	(1,673,143)
	Acquisition of investment properties	(49,300)	--
	Proceeds from sale of investment properties	384,955	--
	Proceeds from sale of property and equipment	25,146	473,362
	<b>Net cash used in investing activities</b>	(214,245)	(1,199,781)
<b>FINANCING ACTIVITIES</b>			
	Net movements in borrowings	17,819,050	(1,993,898)
	Payment of lease liabilities	(4,732,368)	(1,154,669)
	Dividends paid	--	(21,733,143)
	<b>Net Cash generated from/ (used in) financing activities</b>	13,086,682	(24,881,710)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		6,640,977	(25,839,449)
	Cash and cash equivalents at the beginning of the period	4,577,731	9,705,896
5	<b>Cash and cash equivalents at the end of the period</b>	11,218,708	(16,133,553)

The attached notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

# Investment Holding Group Q.P.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

### 1. GENERAL INFORMATION

Investment Holding Group Q.P.S.C (The “Company” , “Parent” or “IHG”) is registered in the State of Qatar under Commercial Registration No. 39127 which has been amended by converting the legal status of the company from a limited liability company to Qatari public shareholding company effective from May 11, 2017.

The Company is engaged in various types of investments inside the State of Qatar in accordance with sound commercial and economic practices.

Before May 11,2017, the Company was registered under the same commercial registration No. 39127 as a limited liability company. The Company’s registered office and the principle place of business are located at “P.O. Box: 3988, Doha, State of Qatar.

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and the financial statements of its subsidiaries and a subsidiary’s share in a joint operation (collectively, the “Group”), as follows:

<i>Name of entities</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ultimate ownership interest</i>	
			<i>June 30, 2020</i>	<i>December 31, 2019</i>
Consolidated Engineering Systems Company W.L.L	Mainly engaged in trading in fire alarms, security systems and related contracting activities.	Qatar	100%	100%
Trelco Limited W.L.L	Mainly engaged in various trading activities.	Qatar	100%	100%
Consolidated Supplies Company W.L.L	Mainly engaged in trading of electrical and construction materials.	Qatar	100%	100%
Water master (Qatar) Company W.L.L	Mainly engaged in water treatment contracting activities.	Qatar	63.3%	63.3%
Electro Mechanical Engineering Company W.L.L	Mainly engaged in installation and maintenance of electro mechanical works.	Qatar	68.5%	68.5%
Construction Development Contracting & Trading Company W.L.L	Mainly engaged in the contracting activities and trading in building materials.	Qatar	51%	51%
Debbas Enterprises - Qatar W.L.L	Mainly engaged in trading in electrical equipment, switch gear, light and instrument electrical tools, electromechanical equipment installation and maintenance works.	Qatar	51%	51%
Trelco Building Materials Company – W.L.L	Mainly engaged in trading of wood, steel and building materials.	Qatar	85%	85%

All the above subsidiaries are located in the state of Qatar and prepare their financial statements in accordance with International Financial Reporting Standards (IFRSs) and applicable provisions of Qatar Commercial Companies Law.

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months period ended 30 June 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and have been presented in Qatari Riyals which is the functional and presentation currency of the Group.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019. In addition, results for the six months ended 30 June 2020 are not necessarily indicative of the results that maybe expected for the financial year ending 31 December 2020.

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 are available upon request from the Company’s registered office or at the Group’s website [www.ihgqatar.com](http://www.ihgqatar.com).

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

**Newly effective standard and amendments and improvements to standards**

The following amendments to standards apply for the first time in 2020 and have been applied by the Group in preparation of these interim condensed consolidated financial statements.

- Amendments to IFRS 16 on, 'Covid-19-Related Rent Concessions'. The amendment is effective for annual reporting periods beginning on or after 1 June 2020 and earlier application is permitted including interim reporting, the Group has early adopted this amendment in these interim condensed consolidated financial statements.

As per the amendment lessee's are currently required to assess whether rent concessions are lease modifications and, if they are, apply specific accounting guidance. Accordingly, when the scope of a lease increases and the consideration changes commensurately, a separate lease exists and IFRS 16 requires that any modification be considered a new lease, and that any remaining prepayments and accruals are included in the accounting for this new lease. The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors.

Other amendments to standards that are effective as of January 1, 2020

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 on 'Definition of a business'
- Amendments to IAS 1 and IAS 8 on 'Definition of Material'
- Amendments to IFRS 9, IAS 39 and IFRS 7 on 'Interest rate benchmark reform'

The adoption of the above amendments and interpretations to the standards did not result in any changes in to previously reported net profit or equity of the Group, but they may result in additional disclosures at the year-end.

**New and amended standards not yet effective, but available for early adoption**

The below new and amended IFRS that are available for early adoption for financial year ending December 31, 2020, are not effective until a later period, and they have not been applied in preparing these interim condensed consolidated financial statements:

Effective date	Description
January 1, 2022	Amendments to IAS 1 on 'Classification of Liabilities as Current or Noncurrent'
January 1, 2022	Annual Improvements to IFRS Standards (2018-2020) covering the following standards: <ul style="list-style-type: none"> <li>• IAS 41- Agriculture</li> <li>• IFRS 1- First Time Adoption of IFRS</li> <li>• IFRS 9- Financial Instruments</li> <li>• IFRS 16- Leases</li> </ul>
January 1, 2022	Amendments to IAS 16 regarding proceeds before intended use
January 1, 2022	Amendments to IAS 37 regarding onerous contracts
January 1, 2022	Amendments to IFRS 3 updating reference to the Conceptual Framework
January 1, 2023	IFRS 17 Insurance Contracts
Effective date to be determined	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

#### 4. USE OF JUDGMENTS AND ESTIMATES

In preparing the interim condensed consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019.

In the process of applying the Group's accounting policies, management has made judgements apart from those involving estimations which have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements.

##### *Going Concern*

In light of prevailing economic conditions and with available information about future risk and uncertainties the Group has performed an assessment whether going concern is applicable. Based on the assessment, the Group has concluded that at present it has sufficient resources to continue its operational existence and going concern assumptions remains largely unaffected from December 31, 2019. As a result, these interim condensed consolidated financial statements has been prepared on going concern basis.

The Group Continue to monitor the situation closely and it has taken measures to manage the business disruption COVID 19 that may have on its operation and financial performance in 2020 and in the future.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019.

# Investment Holding Group Q.P.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

### 5. BANK BALANCES AND CASH

	30 June 2020 QR (Reviewed)	31 December 2019 QR (Audited)
Cash in hand and at bank	58,903,454	55,007,716
Bank margin	10,383,532	8,902,399
Total Cash in hand and at bank	69,286,986	63,910,115
Less: Bank overdrafts	(58,068,278)	(59,332,384)
<b>Cash and cash equivalents at the end of the period/year</b>	<b>11,218,708</b>	<b>4,577,731</b>

All bank balances are assessed to have low credit risk at each reporting dates as they are held with reputable local bank institutions as such not considered for expected credit losses calculations.

### 6. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	30 June 2020 QR (Reviewed)	31 December 2019 QR (Audited)
Trade receivables - net	110,723,946	127,481,878
Retention receivables -net	26,834,610	42,393,097
Prepaid expenses	3,310,334	2,393,236
Other debit balances	35,140,938	31,671,046
	<b>176,009,828</b>	<b>203,939,257</b>

### 7. RELATED PARTY BALANCES

Related parties represent associated companies, shareholders, directors and key management personnel of the Group and companies controlled, jointly controlled or significantly influenced by those parties.

	30 June 2020 QR (Reviewed)	31 December 2019 QR (Audited)
<i>a) Due from related parties</i>		
Al Hodaifi Group - W.L.L. and its subsidiaries	14,772,168	19,271,969
Others	5,465,302	5,877,317
	<b>20,237,470</b>	<b>25,149,286</b>
<i>b) Due to related parties</i>		
Shareholders	6,893,467	6,893,467
Al Hodaifi Group W.L.L. and its subsidiaries	2,855,146	6,699,131
Others	20,019,064	30,202,033
	<b>29,767,677</b>	<b>43,794,631</b>

## Investment Holding Group Q.P.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

## 8. INVENTORIES

	30 June 2020 QR (Reviewed)	31 December 2019 QR (Audited)
Trading inventories	60,118,184	60,072,733
Raw material	6,955,026	6,947,838
Goods in transit	--	3,753,592
	67,073,210	70,774,163
Less: Allowance for obsolete and slow-moving items	(7,790,790)	(11,290,790)
	59,282,420	59,483,373

## 9. INVESTMENT PROPERTIES

	30 June 2020 QR (Reviewed)	31 December 2019 QR (Audited)
Balance at beginning of the period /year	22,816,776	959,146
Additions	49,300	73,000
Transfer from property and equipment, net	--	227,000
Revaluation gains through OCI	--	14,398,000
Fair value (losses)/ gains through profit or loss	(353,373)	7,159,630
Disposals	(384,955)	--
Balance at the end of the period/ year	22,127,748	22,816,776

## 10. PROPERTY AND EQUIPMENT

	30 June 2020 QR (Reviewed)	31 December 2019 QR (Audited)
<b>Cost:</b>		
At the beginning of the period/year	67,248,815	72,404,990
Additions	575,046	1,377,008
Transfer to investment properties – (Note i)	--	(5,139,554)
Disposals	(499,000)	(1,393,629)
Total cost at the end of the period/year	67,324,861	67,248,815
<b>Accumulated Depreciation:</b>		
At the beginning of the period/year	50,077,880	51,067,416
Charge for the period/year	2,131,911	5,214,691
Relating to transfer to investment properties – (Note i)	-	(4,912,554)
Relating to disposals	(499,000)	(1,291,673)
Accumulated depreciation at the end of the period/year	51,710,791	50,077,880
Net carrying amount at the end of the period/year	15,614,070	17,170,935

# Investment Holding Group Q.P.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

### 10. PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charge has been allocated in the interim consolidated statement of profit or loss as follows:

	<i>For the six-month period ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>QR</i>	<i>QR</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Direct costs	545,672	884,361
General and administrative expenses	1,586,239	1,811,316
	<u>2,131,911</u>	<u>2,695,677</u>

*Note – i*

Beginning of the year 2019, a portion of accommodation property was transferred from property and equipment to investment property at net carrying value due to the change in use as evidenced by renting to third parties. The cost and accumulated depreciation pertaining to such accommodation property were amounted to QR. 5,139,554 and 4,912,554 respectively at the date of transfer.

### 11. GOODWILL

The share capital of the Company was determined at QR 830 Million to reflect its Company's value as per evaluation and not as per book value of partners' equity as at December 31, 2016, due to legal considerations represented by determining the Company's share capital at QR. 830 Million by H.E the Minister of Economy and Commerce and the later approvals by the Ministry of Economy and Commerce and the approvals of Qatar Market Authority and Qatar Stock Exchange on the share capital as well as the Initial Public Offer in which the Prospectus took the same approach. Then the shareholders' approved the same in their Constituent General Assembly. As a result of all these, it became inevitable for the management to recognize during the year internally generated goodwill in the Company's books of accounts amounting to QR 711,492,489.

### 12. SHARE CAPITAL

	<i>30 June 2020</i>	<i>31 December 2019</i>
	<i>QR</i>	<i>QR</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>
<i>Issued capital:</i>		
830,000,000 ordinary shares with nominal value of QR. 1 each	<u>830,000,000</u>	<u>830,000,000</u>

### Cash Dividend paid

Annual general assembly meeting held on 14 April 2019, approved distribution of QR. 0.25 per share amounted to QR. 20,750,000 as cash dividend for the year ended December 31, 2018.

### 13. LEGAL RESERVE

Legal reserve is computed in accordance with the provisions of the Qatar Commercial Companies' Law and the Company's Articles of Association at 10% of the net profit for the year. Transfers to the reserve are made until it equals at least 50% of the paid-up capital. The reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies' Law.

## Investment Holding Group Q.P.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

## 14. BORROWINGS

	30 June 2020 QR (Reviewed)	31 December 2019 QR (Audited)
Project financing – (i)	12,448,844	16,295,575
Import loans – (ii)	89,859,668	84,774,088
Demand loans - (iii)	18,569,942	18,569,942
Term loans - (iv)	12,884,731	12,965,301
Musawama loan - (v)	100,000,000	100,000,000
Murabaha loan	57,444,601	40,783,830
	<u>291,207,786</u>	<u>273,388,736</u>

Borrowings are presented in the interim consolidated statement of financial position as follows:

	30 June 2020 QR (Reviewed)	31 December 2019 QR (Audited)
Current portion	207,874,452	185,592,743
Non-current portion	83,333,334	87,795,993
	<u>291,207,786</u>	<u>273,388,736</u>

*(i) Project financing*

The Group entered into loans that are utilized to finance its existing projects. These loans are settled within 4 to 10 months from the progress payments paid by the customers and bear an interest rate ranging from 4% to 6.5% (2019: 5% to 6.75%). The non-current portion refers to the project cash loans to finance the project cash expenses which are maturing on varying dates 3 months after the project completion dates with interest rate of 6%. These loans are secured by corporate guarantees and personal guarantees by subsidiaries' partners.

*(ii) Import loan*

Import loans represent loans obtained from a local bank for the purchase of materials for the project and issuing letters of credit for sub-contractors. These loans bear an average interest rate of 4% to 6.5% (2019: 5% to 6.75%) annually and have maturities ranging from 180 to 270 days. These loans are secured by corporate guarantees and personal guarantees by subsidiaries' partners.

*(iii) Demand loan*

Demand loans represent loans obtained from a local bank to finance working capital requirements. These loans bear an average interest rate of 4% to 6.5% per annum (2019: 5% to 6.75%). These loans are secured by corporate guarantees and personal guarantees by subsidiaries' partners.

*(iv) Term loans*

The Group entered into agreements with the local banks for the construction of labor camp and warehouse. These loans are secured by corporate guarantees and personal guarantees by subsidiaries' partners. Term loans have different maturity dates and bears interest rate of 5% to 6.75% annually (2019: 5% to 6.75%).

*(v) Musawama loan*

On 8 October 2018, the Company has obtained a Musawama facility from a local bank amounted to QR. 100,000,000 for financing its acquisition for the remaining shares of non-controlling interest in Consolidated Engineering Systems company W.L.L. The facility will be paid in semi-annual installments with a fixed profit rate of 6% for 6 years. On October 8, 2019 the Group has reschedule the loan to commence the repayment on October 2020.

# Investment Holding Group Q.P.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

### 15. ACCOUNTS PAYABLE AND ACCRUALS

	30 June 2020 QR (Reviewed)	31 December 2019 QR (Audited)
Trade and notes payable	76,584,033	87,433,030
Advances from customers	34,302,575	35,879,102
Social sports fund contribution	--	1,376,839
Accruals and other credit balances	50,506,112	58,970,222
	<u>161,392,720</u>	<u>183,659,193</u>

### 16. EMPLOYEES' END OF SERVICE BENEFIT

	30 June 2020 QR (Reviewed)	31 December 2019 QR (Audited)
Balance at beginning of the period/ year	21,867,578	25,193,404
Provided during the period/year	1,568,913	3,881,006
Paid during the period/year	(1,777,230)	(7,206,832)
	<u>21,659,261</u>	<u>21,867,578</u>

### 17. REVENUE

	For the six-months period ended 30 June	
	2020 QR (Reviewed)	2019 QR (Reviewed)
<i>Type of goods or service</i>		
Contracting revenue	87,959,851	137,951,299
Trading revenue	36,835,574	45,163,131
Maintenance service	26,039,624	28,164,724
Refilling and servicing revenue	79,146	417,418
	<u>150,914,195</u>	<u>211,696,572</u>
Total revenue from contracts with customers		
	<u>150,914,195</u>	<u>211,696,572</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point of time	36,914,720	45,580,549
Services transferred over time	113,999,475	166,116,023
	<u>150,914,195</u>	<u>211,696,572</u>
Total revenue from contact with customers		
	<u>150,914,195</u>	<u>211,696,572</u>

# Investment Holding Group Q.P.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

### 18. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the six-month period ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>QR</i>	<i>QR</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Salaries and fringe benefits	14,823,997	17,285,616
Rent	1,220,556	2,437,609
Professional and legal fees	1,267,550	1,494,264
Depreciation of property and equipment and right-of-use assets	5,868,036	3,351,585
Traveling	448,076	334,083
Repairs and maintenance	262,899	500,005
Postage and communication	202,675	460,346
Electricity and water	46,188	88,419
Immigration and visa charges	29,440	144,048
Miscellaneous	3,086,892	4,171,123
	<u>27,256,309</u>	<u>30,267,098</u>

### 19. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share ('EPS') is arrived by dividing the profit attributable to the shareholders of the Parent Company for the period by the weighted average number of ordinary shares outstanding during the period.

	<i>For the six-month period ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period attributable to shareholders of the parent (QR.)	15,401,834	27,838,489
Weighted average number of shares outstanding during the period	<u>830,000,000</u>	<u>830,000,000</u>
Basic and diluted earnings per share (Qatari Riyals per share)	<u>0.019</u>	<u>0.034</u>

Investment Holding Group Q.P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

20. NON-CONTROLLING INTERESTS

<i>Name of the Subsidiary</i>	<i>Place of incorporation</i>	<i>Proportion of Ownership interests and voting rights held by non-controlling interests</i>	<i>Profit/loss allocated to non-controlling interests QR</i>	<i>Dividend distribution QR</i>	<i>Accumulated non-controlling interest QR</i>
<i>As at 30 June 2020</i>					
Water master (Qatar) Company W.L.L.	Qatar	36.70%	(115,512)	--	13,247,974
Electro Mechanical Engineering Company W.L.L.	Qatar	31.50%	1,077,648	--	3,940,060
Construction Development Contracting & Trading Co. W.L.L.	Qatar	49%	(1,336,678)	--	2,620,460
Debbas Enterprises - Qatar W.L.L.	Qatar	49%	1,427,909	--	5,207,665
Trelco Building Materials Co. W.L.L.	Qatar	15%	(226,194)	--	(1,775,847)
			<u>827,173</u>	<u>--</u>	<u>23,140,312</u>
<i>As at 31 December 2019</i>					
Water master (Qatar) Company W.L.L.	Qatar	36.70%	2,170,463	--	13,363,486
Electro Mechanical Engineering Company W.L.L.	Qatar	31.50%	814,360	--	2,762,412
Construction Development Contracting & Trading Co. W.L.L.	Qatar	49%	(4,727,513)	(1,960,000)	3,957,138
Debbas Enterprises - Qatar W.L.L.	Qatar	49%	1,968,574	--	3,779,756
Trelco Building Materials Co. W.L.L.	Qatar	15%	(719,289)	--	(1,549,653)
			<u>(493,405)</u>	<u>(1,960,000)</u>	<u>22,313,139</u>

## 21. SEGMENT INFORMATION

Information reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance focuses on the types of services being provided. The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require separate business strategies. For each of the strategic business units, the Group reviews internal management reports on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

1. Contracting: This includes construction activities.
2. Specialized contracting: This includes Mechanical, Electrical and Plumbing in addition to Security Systems.
3. Trading: This includes trading in food, Chemical, Electrical, security and Safety systems and Building Materials.
4. Water treatment and related maintenance: This includes contracting for wellness and pools, water features and water treatment and after sale maintenance and services.
5. Others: This pertains to the balances coming from the Company.

The Trading and Specialized Trading Segments include different subsidiaries operating within the State of Qatar which are also considered as operating segments by the Group. For the purpose of the financial statements' presentation purposes, these individual operating segments are aggregated into a single operating segment taking into account the following criteria:

- The nature of the services/products offered are similar
- The methods used to distribute their goods/ provide their services are similar

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

### Geographical segments

The Group has not diversified its activities outside of the State of Qatar; therefore, majority of the Group assets are located in Qatar. Accordingly, there are no distinctly identifiable geographical segments in The Group for the period ended 30 June 2020.

Investment Holding Group Q.P.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

21. SEGMENT INFORMATION (CONTINUED)

30 June 2020	Contracting QR	Specialized contracting QR	Trading QR	Water treatment and related maintenance QR	Others QR	Total QR
Segment revenue	6,395,411	82,412,405	37,155,868	24,950,511	--	150,914,195
Finance costs	128,597	1,652,640	1,022,287	509,770	3,077,242	6,390,536
Depreciation expense	837,439	733,028	203,075	4,147,156	493,009	6,413,707
Segment results	(2,727,915)	20,402,431	4,260,150	(314,746)	(5,390,913)	16,229,007
Reportable Segment Assets	32,301,993	423,745,627	170,471,048	94,518,778	691,519,000	1,412,556,446
Reportable Segment Liabilities	33,593,546	300,550,697	56,752,188	59,283,874	127,756,155	577,936,460
30 June 2019						
Segment revenue	36,540,313	101,878,522	45,580,549	27,697,188	--	211,696,572
Finance costs	322,491	2,624,052	1,205,253	365,526	3,018,819	7,536,141
Depreciation expense	964,163	770,734	325,257	1,655,796	519,996	4,235,946
Segment results	2,140,676	27,680,497	6,163,112	659,176	(7,202,528)	29,440,933
Reportable Segment Assets	58,114,254	373,966,479	151,851,197	89,602,172	695,656,085	1,369,190,187
Reportable Segment Liabilities	43,906,744	275,615,834	47,403,600	59,307,413	148,100,988	574,334,579

## 22. LEGAL CASES

### 22.1 Debbas Enterprises – Qatar – W.L.L

(A) One of the Group's subsidiaries, Debbas Enterprises Qatar W.L.L has entered into a Joint operation (EDJV) (ETA Star Engineering and Contracting W.L.L. (Under liquidation)/ Debbas Enterprises Qatar W.L.L.) in February 2011 to carry out the electromechanical works of Doha Exhibition and Convention Center for the main contractor Midmac Contracting/Six Construct JV (SMJV), with a total contract value of QR. 430,000,000 to be executed within 22 months.

Over several years, EDJV received and completed many site orders outside the main scope of work valued at QR. 163,820,000 (Group's share QR. 81,910,000), which contributed in extending the Project till June 2015, with some remaining minor works to be executed within the maintenance period. The gross amounts due from SMJV as of 31 December 2019 are QR. 194,717,264 (Group's share QR. 97,358,632), and the retention receivable is amounted to QR. 19,788,405 (Group's share QR. 9,894,202).

On 16 April 2016, EDJV received a Taking-Over-Certificate back dated to 11 June 2015, based on which EDJV submitted its final invoice on 15 May 2016. On 21 January 2017 SMJV replied with its assessment of the final account with net due payables of QR. 23,419,531.

Failing to solve the dispute amicably, EDJV filed lawsuit No. 568/2018 on January 2018 against SMJV and Qatari Diar "the Client" requesting them to pay an amount of QR. 625,861,657 being the remaining costs of the original contract, the additional works carried out based on the site instructions, extensions of time, and compensation for the opportunity costs.

(B) EDJV has obtained credit facility from a local bank in 2011 to finance this project and the total outstanding balance including accrued interest as of 31 December 2019 amounted to QR. 148,463,224, of which the Group's share is QR. 74,231,611. The Group and other related parties have provided corporate and personal guarantees to Ahli Bank against the credit facilities as following:

- Personal guarantee from IHG's chairman amounted to QR. 43,000,000.
- Corporate guarantee from Debbas Enterprises – Qatar, W.L.L amounted to QR. 276,000,000.
- Corporate guarantee from ETA Star Engineering and Contracting – W.L.L (Under liquidation) amounted to QR. 233,000,000.

Additionally, the founders' committee of IHG has given an undertaking letter to personally guarantee to pay the recognized cumulative revenue to 31 December 2016 from the unapproved variation orders amounting to QR. 77,775,000 and a written commitment from Debbas Holding – S.A.L against their portion of the bank debt.

(C) The court appointed a committee of experts and they are reviewing the file and obtaining from each party to the dispute the supporting documents confirming its defense.

On October 2018, Ahli bank filed lawsuit No. 2926/ 2018 against EDJV, the Group, and others requesting to pay an amount of QR. 178,529,133 plus accrued interest to cover the outstanding loan balance, noting that the other party in the joint operation ETA Star Engineering and Contracting is under liquidation.

Referring to the above cases, in January 2019, the court hearing the lawsuit no. 568/2018 transferred the case to the court hearing the lawsuit 2926/2018 in order for the two lawsuits to move in parallel due to their interdependency.

Based on studying the project's documents, the reports and assessments done by two external independent experts, and the management assessment, the Group's external legal advisor believe based on the available information that the claim filed by Subcontractor against Client, Main Contractor and others, stands a reasonable chance of success and that the counterclaim will largely be defeated, nevertheless, the ultimate outcome of the lawsuit is subject to the court's final decision; therefore, the Group do not expect any material contingent liabilities to arise from the above lawsuits that need to be disclosed in the Consolidated Financial Statements as of 31 December 2019.

In accordance with a decision issued by the court, the file of this case was attached to the case referred to in paragraphs A and B above.

## 22. LEGAL CASES (CONTINUED)

### 22.2 Trelco Building Material – W.L.L

On January 24, 2019 the partner in Trelco Building Materials Company W.L.L (TBMC) named Ala'a Ayoub filed a case No 38/2019 before the First Court of Instance to liquidate the company as the accumulated losses exceeded 50% of its share capital.

Unfortunately, defense before the First Court of Instance refuted the claim of Ala'a to dissolve and liquidate the company only on the grounds of a Criminal Case of embezzlement filed by TBMC and IHG against Ala'a Ayoub; however, it missed to state many important facts during that time which could have deviated the court from approving the dissolution and liquidation of the company and keep the company into continuity, such facts are without limitation:

- Despite the losses incurred by TBMC, IHG being the major partner given the full financial and operational support to TBMC in order to preserve the company and avoid it to be dissolved and liquidated.
- IHG replaced the previous management of TBMC (Ala'a Ayoub) by a new capable and professional manager.
- During the year of 2019 TBMC managed to reduce the overdraft balance with one of the local banks within an amount of QR 9,169,691.
- IHG supported TBMC for the import of goods and products to sustain the company's operations through opening letters of credit for the amount of QR 4,479,791.64, therefore the company achieved a reasonable profit margin between 20 to 25% by selling the imported products into the local market, and the company managed to increase significantly its cashflow generated from operation.

The First Court of Instance issued a judgement dated September 30, 2019 stipulating the dissolution and liquidation of TBMC and appointed the liquidator Jaber Al Hadfa.

On October 27, 2019 TBMC filed the appeal No 90006/2019T before the Court of Appeal to annul the liquidation judgment.

On April 2, 2020, the Court of Appeals has ordered to suspend the execution of the liquidation ruling until the grievance submitted by IHG is decided.

## 23. IMPACT OF COVID 19

COVID-19 was declared a pandemic by WHO (World Health Organization) and is causing disruptions to business and economic activities across various geographies globally. The local government system in Qatar has announced various measures to support businesses to mitigate possible adverse impact due to the pandemic. The Group continues to monitor the situation and the Group's management have taken measures to continue the operations with minimal disruptions and also have risk management plans in place to manage potential disruptions in the future.

Due to the prevailing uncertain situation, the Group management have revisited its judgements, estimates and risk management objectives and have considered the potential impacts of the current volatility in determining the reported amounts of the Group's financial and non-financial assets as at June 30, 2020.

## 24. COMPARATIVE FIGURES

Certain figures have been reclassified in the consolidated statement of financial position as of prior year to conform with the presentation in the current period's interim condensed consolidated financial statements. Such reclassifications did not have any effect on the net profit of the comparative period.