

**ZAD HOLDING COMPANY Q.S.C.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**ZAD HOLDING COMPANY Q.S.C.**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Zad Holding Company Q.S.C.

#### **Report on the Audit of the Consolidated Financial Statements**

##### *Qualified opinion*

We have audited the accompanying consolidated financial statements of Zad Holding Company Q.S.C. (the 'Company') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of income, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects on the consolidated financial statements of the matters described in the basis for qualified opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

##### *Basis for qualified opinion*

As explained in detail in note 9 to the consolidated financial statements, receivable from the Government of State of Qatar as compensation amounting to QR 68,368,576 in respect of subsidized flour sold during earlier years is, as per the provisions of the compensation agreement that was enforced until 13 December 2007. The quantification of the claim in respect of subsidized flour is still under discussion with the Government of State of Qatar. We have been unable to obtain assurance that this amount will be recovered in full. Further, the Government of State of Qatar's loan of QR 59,959,040 has been netted off against the amount due in respect of the subsidies to arrive at the net outstanding balance due from the Government of State of Qatar. The Group has been unable to demonstrate to us that the "right of set off" exists. Accordingly, we have been unable to obtain assurance that the set off is appropriate.

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

*Emphasis of matter*

Without further qualifying our opinion, we draw attention to note 14(b) to the consolidated financial statements; the Company is in the process of listing its 8,464,132 equity shares at a par value of QR 10 each that were issued to the shareholders of an acquired subsidiary during the year 2011. The financial position and operating results of the acquired subsidiary are consolidated with these consolidated financial statements.

*Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

<u>Depreciation and impairment of investment properties</u> - refer notes 3 and 6 in the consolidated financial statements	<u>How the matter was addressed in our audit</u>
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>• Investment properties with a carrying value of QR 565,318,502 represent 26.36% of the Group's total assets as at 31 December 2016, and form a material portion of the consolidated statement of financial position.</li> <li>• The Group makes judgements over estimation of the useful life of investment properties and assessment of indicators of impairment.</li> </ul>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>- Evaluating the key controls related to investment properties including the controls over the base data used in the estimation of useful life;</li> <li>- Evaluating the recognition criteria applied to the costs incurred and capitalised during the financial year against the requirements of the relevant accounting standards;</li> <li>- Assessing the depreciation method used and the appropriateness of the key assumptions based on our knowledge;</li> <li>- Recalculation of the depreciation charges and comparison with the actual depreciation charges for the year;</li> <li>- Critically challenging the Group's assessment of possible internal (physical damages) and external (decline in value) indications of impairment in relation to the investment properties including the comparison with fair value determined by independent valuers.</li> <li>• We assessed the adequacy of the Group's disclosure in relation to the depreciation, and fair valuation of investment properties by reference to the requirements of the relevant accounting standards.</li> </ul>

<u>Compensation from Government of State of Qatar for sale of subsidised flour - refer note 9a in the consolidated financial statements</u>	<i>How the matter was addressed in our audit</i>
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>• For the year ended 31 December 2016, compensation from Government of State of Qatar amounted to QR 98,436,946 which is a material amount for the purposes of our audit.</li> <li>• The Group's business involves selling flour in local market at subsidized rates as agreed with the Government of State of Qatar. In return, Government of State of Qatar compensates the Group with a pre agreed rate of subsidy in respect of the amount of flour sold in the local market. Due to the nature of the business, determination of subsidy involves judgement keeping in view various types of flour and the clauses of the subsidy agreement.</li> </ul>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>- Evaluating the key controls in sales process including the progress claim certification and the approval process;</li> <li>- We read compensation contract and discussed with the Group to obtain full understanding of the specific terms and risk;</li> <li>- We challenged the Group in respect of the reasonableness of estimates made regarding the compensation.</li> <li>• Assessing the adequacy of the Group's disclosure in relation to compensation from Government of State of Qatar by reference to the requirements of the relevant accounting standards.</li> </ul>

<u>Impairment assessment of goodwill - refer notes 2, 3 and 8 in the consolidated financial statements</u>	<i>How the matter was addressed in our audit</i>
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>• As at 31 December 2016, the Group's consolidated financial statements include recognised goodwill of QR 19,704,770 which is a material amount for the purposes of our audit.</li> <li>• An assessment is required annually to establish whether this goodwill should continue to be recognized, or if any impairment is required. The impairment assessment relies on determining the recoverable amount of the investment in the subsidiary using valuation techniques such as discounted cash flows. The estimation of future cash flows and the rate at which they are discounted is inherently uncertain and requires the use of estimates and judgments.</li> </ul>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>• Testing of the Group's budgeting procedures upon which the forecasts are based.</li> <li>• We involved our own valuation specialists to assist us in: <ul style="list-style-type: none"> <li>- evaluating the appropriateness of the methodology used by the Group to assess impairment of goodwill;</li> <li>- evaluating key inputs and assumptions in cash flow projections used by the Group in comparison to externally derived data as well as our own assessments of investee specific circumstances and experience in the related industry, in particular its derivation of discount rates, terminal growth rates and comparing progress against stated business plans.</li> </ul> </li> <li>• Assessed whether the consolidated financial statements disclosures relating to key inputs and assumptions for goodwill impairment were appropriate.</li> </ul>



#### *Other information*

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the report of the Board of Directors which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 have 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 the Board of Directors for the consolidated financial statements*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISA 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.



- Conclude on the appropriateness of the Board of Directors' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

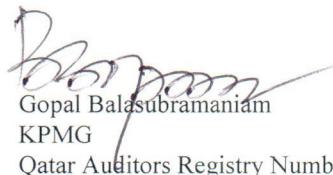
We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on other legal and regulatory requirements**

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. Furthermore, the physical count of inventories was carried out in accordance with established principles. We have read the report of the Board of Directors to be included in the annual report, and the financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Articles of Association and any amendments thereto having occurred during the year which might have had a material adverse effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2016.

28 February 2017  
Doha  
State of Qatar



Gopal Balasubramaniam  
KPMG  
Qatar Auditors Registry Number 251

**ZAD HOLDING COMPANY Q.S.C.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

In Qatari Riyals

	<b>31 December 2016</b>	31 December 2015
Note		
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5	353,712,291
Investment property	6	565,318,502
Available-for-sale financial assets	7	23,149,948
Retention receivable		9,339,091
Other assets		4,683,101
Goodwill	8	<u>19,704,770</u>
<b>Total non-current assets</b>		<b><u>975,907,703</u></b>
		<b><u>1,012,421,481</u></b>
<b>Current assets</b>		
Contract work in progress		31,537,790
Due from Government of Qatar	9(a)	76,393,831
Due from related parties	10(b)	1,657,029
Inventories	11	116,701,345
Accounts, retention and other receivables	12	272,742,778
Investment in commodities		362,086,322
Cash and bank balances	13	<u>307,361,615</u>
<b>Total current assets</b>		<b><u>1,168,480,710</u></b>
<b>Total assets</b>		<b><u>2,144,388,413</u></b>
		<b><u>2,091,140,816</u></b>

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**ZAD HOLDING COMPANY Q.S.C.**

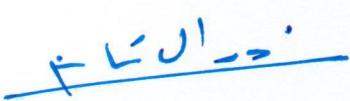
CONSOLIDATED STATEMENT OF FINANCIAL POSITION- CONTINUED  
FOR THE YEAR ENDED 31 DECEMBER 2016

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In Qatari Riyals

	31 December 2016	31 December 2015
Note		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	14	215,452,000
Legal reserve	15	563,120,753
Capital reserve	16	15,000,000
Fair value reserve	17	340,677
Retained earnings		625,136,898
<b>Total equity</b>		<u>1,419,050,328</u>
		<u>1,343,552,368</u>
<b>Non- current liabilities</b>		
Other non-current liability		23,443,336
Due to Government of Qatar	9(d)	47,591,581
Islamic financing-non current	19	<u>87,581,281</u>
<b>Total non-current liabilities</b>		<u>158,616,198</u>
		<u>183,696,388</u>
<b>Current liabilities</b>		
Accounts payable, retention and other payables	20	324,010,181
Due to related parties	10(c)	17,124,629
Islamic financing-current	19	<u>225,587,077</u>
<b>Total current liabilities</b>		<u>566,721,887</u>
<b>Total liabilities</b>		<u>725,338,085</u>
<b>Total equity and liabilities</b>		<u>2,144,388,413</u>
		<u>2,091,140,816</u>

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on 28 February 2017.

  
Sheikh Nawaf Mohamed J M Al-Thani  
Managing Director

  
Sheikh Mansoor Mohamed J M Al-Thani  
Board Member

The attached notes 1 to 30 form an integral part of these consolidated financial statements

**ZAD HOLDING COMPANY Q.S.C.**

**CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

In Qatari Riyals

	Note	<b>31 December 2016</b>	31 December 2015
Operating revenue	21	1,137,762,952	1,001,177,990
Compensation from Government of Qatar for sale of subsidised flour	9(a)	<u>98,436,946</u>	<u>118,232,347</u>
Total revenue		1,236,199,898	1,119,410,337
Operating cost	22	<u>(912,649,724)</u>	<u>(863,331,713)</u>
<b>Gross profit</b>		323,550,174	256,078,624
Other income	23	24,700,559	84,784,001
General and administrative expenses	24	(135,400,842)	(119,727,697)
Net impairment loss on commodities and available for sale securities	25	(23,071,847)	(38,933,495)
Finance costs		(8,692,948)	(9,824,539)
Zakat contribution		<u>(13,470,729)</u>	<u>(12,053,378)</u>
<b>Profit</b>		<b><u>167,614,367</u></b>	<b><u>160,323,516</u></b>
<b>Earnings per share</b>			
Basic and diluted earnings per share	26	<u><b>7.78</b></u>	<u><b>7.44</b></u>

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

**ZAD HOLDING COMPANY Q.S.C.**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

In Qatari Riyals

	Note	<b>31 December 2016</b>	31 December 2015
<b>Profit</b>		167,614,367	160,323,516
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified to profit or loss</i>			
Available-for-sale financial assets – net change in fair value	17	(310,636)	(11,689,873)
Available-for-sale financial assets – reclassified to profit or loss	17	<u>(1,434,612)</u>	<u>(7,912,668)</u>
Total other comprehensive income		<u>(1,745,248)</u>	<u>(19,602,541)</u>
<b>Total comprehensive income</b>			
		<b><u>165,869,119</u></b>	<b><u>140,720,975</u></b>

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

**ZAD HOLDING COMPANY Q.S.C.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

In Qatari Riyals

	<b>Share capital</b>	<b>Legal reserve</b>	<b>Capital reserve</b>	<b>Fair value reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance at 1 January 2015	215,452,000	563,120,753	15,000,000	21,688,466	477,611,312	1,292,872,531
<i>Total comprehensive income</i>						
Profit	-	-	-	-	160,323,516	160,323,516
Other comprehensive income	-	-	-	(19,602,541)	-	(19,602,541)
Total comprehensive income	-	-	-	(19,602,541)	160,323,516	140,720,975
Contribution to social and sports fund*	-	-	-	-	(3,860,338)	(3,860,338)
Dividends (Note 18)	-	-	-	-	(86,180,800)	(86,180,800)
<b>Balance at 31 December 2015</b>	<b>215,452,000</b>	<b>563,120,753</b>	<b>15,000,000</b>	<b>2,085,925</b>	<b>547,893,690</b>	<b>1,343,552,368</b>
 <b>Balance at 1 January 2016</b>	 215,452,000	 563,120,753	 15,000,000	 2,085,925	 547,893,690	 1,343,552,368
<i>Total comprehensive income</i>						
Profit	-	-	-	-	167,614,367	167,614,367
Other comprehensive income	-	-	-	(1,745,248)	-	(1,745,248)
Total comprehensive income	-	-	-	(1,745,248)	167,614,367	165,869,119
Contribution to social and sports fund*	-	-	-	-	(4,190,359)	(4,190,359)
Dividends (Note 18)	-	-	-	-	(86,180,800)	(86,180,800)
<b>Balance at 31 December 2016</b>	<b>215,452,000</b>	<b>563,120,753</b>	<b>15,000,000</b>	<b>340,677</b>	<b>625,136,898</b>	<b>1,419,050,328</b>

\* Pursuant to Law No. 13 of 2008, the Group made an appropriation of QR 4,190,359 (2015: QR 3,860,338) from retained earnings for its contribution to the Social and Sports Activities Support Fund (“Daam”) of Qatar. This amount represents 2.5% of the net profit for the year ended 31 December 2016.

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

**ZAD HOLDING COMPANY Q.S.C.**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

In Qatari Riyals

	Note	<b>31 December 2016</b>	31 December 2015
<b>Cash flows from operating activities</b>			
Profit		167,614,367	160,323,516
<i>Adjustments for:</i>			
Provision for slow moving inventories	11	357,269	1,458,143
Impairment of available for sale securities	7(a)	27,372,989	14,830,000
(Reversal) / impairment for investment in commodities	25	(4,301,142)	24,103,495
Investment properties written off	6	377,809	-
Depreciation on property, plant and equipment	5	53,543,865	50,442,272
Depreciation on investment property	6	13,320,894	11,329,463
Gain on disposal of property, plant and equipment	23	(251,933)	(4,041,595)
Gain on disposal of investment property	23	-	(50,913,920)
Finance costs		8,692,948	9,824,539
Employees' end of service benefits		6,599,499	5,056,976
Zakat Contribution		13,470,729	12,053,378
Net reversal of provision for doubtful debts	23	(1,240,167)	(6,156,120)
Dividend income	23	(1,333,312)	(5,909,982)
Islamic finance income	23	(3,557,784)	(1,745,709)
Gain on disposal of available for sale financial assets	23	<u>(4,696,981)</u>	<u>(5,255,941)</u>
		275,969,050	215,398,515
<i>Change in:</i>			
- Inventories		(2,521,917)	39,794,432
- Contract work in progress		(2,900,451)	(22,287,322)
- Due from and due to Government of Qatar (net)		10,540,343	(5,605,632)
- Accounts, retentions and other receivables		85,450,569	(104,231,930)
- Due from and to related parties (net)		7,095,309	(8,236,652)
- Accounts payable, retention and other payables		<u>(48,417,729)</u>	<u>32,704,168</u>
Cash generated from operating activities		325,215,174	147,535,579
Employee's end of service benefits paid		(1,712,899)	(1,216,093)
Zakat paid		(12,053,378)	(4,286,852)
Finance costs paid		<u>(8,820,738)</u>	<u>(9,678,955)</u>
Net cash from operating activities		<u>302,628,159</u>	<u>132,353,679</u>

*Continued.....*

**ZAD HOLDING COMPANY Q.S.C.**

**CONSOLIDATED STATEMENT OF CASH FLOWS- CONTINUED  
FOR THE YEAR ENDED 31 DECEMBER 2016**

In Qatari Riyals

	Note	<b>31 December 2016</b>	31 December 2015
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	5	(61,532,663)	(51,174,567)
Proceeds from disposal of property, plant and equipment		327,695	5,177,680
Proceeds from disposal of available-for-sale financial assets		11,722,269	28,336,653
Proceeds from disposal of investment property		-	318,242,937
Dividend income received	23	1,333,312	5,909,982
Acquisition of available for sale financial assets	7(a)	(1,885,763)	(1,701,531)
Acquisition of commodities		(152,468,259)	(138,178,830)
Islamic finance income received		3,162,149	1,745,709
Net cash (used in) / from investing activities		<u>(199,341,260)</u>	<u>168,358,033</u>
<b>Cash flows from financing activities</b>			
Net movement in Islamic financing		4,717,907	(13,765,469)
Dividends paid		(83,080,971)	(82,470,913)
Net cash used in financing activities		<u>(78,363,064)</u>	<u>(96,236,382)</u>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		24,923,835	204,475,330
<b>Cash and cash equivalents at end of the year</b>	13	<b><u>307,361,615</u></b>	<b><u>282,437,780</u></b>

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

## **ZAD HOLDING COMPANY Q.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1. LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Zad Holding Company Q.S.C. (the “Company”) was incorporated on 07 July 1969 under commercial registration No. 27 as a Qatari Shareholder Company by Emiri Decree No. 45 of 1969 and by Concession law No. 12 of 1969.

The Group’s main activities are import of wheat, production of different kind of flour, marketing of pasta and bakery products. Further, the Group earns income from sales of certain type of grain and related commodities. In addition to the above, the Group engaged in the activities of contracting for building, investing, establishing and managing of industrial projects, activities in real estate, selling and rental of heavy equipment and investment in shares, manufacturing and supply of ready mix concrete and asphalt, rock blasting, crushing services, providing transport services and investments in financial instruments.

The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

These consolidated financial statements were authorized for issue by the Company’s Board of Directors on 30 March 2016.

The subsidiaries of the Group are as follows,

Name of subsidiary	Country of incorporation	Principal activities	Group effective shareholding %	
			31 December 2016	31 December 2015
Qatar Flour Mills Company S.P.C.	Qatar	Manufacturing and distribution of wheat flour and trading of bran and barley.	100%	100%
Qatar Food Industries Company S.P.C.	Qatar	Marketing of wheat, flour and allied products.	100%	100%
Umm Said Bakery S.P.C.	Qatar	Manufacturing of bakery products.	100%	100%
Arzak Marketing Company S.P.C.	Qatar	Trading of food stuff.	100%	100%
Zain Trading Company S.P.C.	Qatar	Trading of food stuff and animal feed.	100%	100%
National Food Company W.L.L.	Qatar	Manufacturing of frozen meat products.	100%	100%
Meeda Projects Company S.P.C.	Qatar	Civil construction, investing, establishing & managing of industrial projects, activities in real estate, selling and rental of heavy equipment and facilities.	100%	100%
Arzak Al Khalijia Company	Saudi Arabia	Trading of food stuff and cleaning items.	100%	100%

## **ZAD HOLDING COMPANY Q.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **2. BASIS OF PREPARATION**

##### **Statement of compliance**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

##### **Basis of measurement**

These consolidated financial statements have been prepared under the historical cost convention except for available-for-sale investments, which is carried at fair value.

##### **Functional and presentation currency**

These consolidated financial statements are presented in Qatari Riyals, which is the Company's functional currency. All financial information presented in Qatari Riyals have been rounded to the nearest Qatari Riyals unless otherwise indicated.

##### **Use of estimates and judgements**

The preparation of consolidated financial statements requires management to make judgements, 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.

Estimates underlying assumptions are reviewed on an ongoing basis. The most significant use of judgments and estimates are as follows:

##### *Impairment of accounts receivables*

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of past due

##### *Useful lives, residual values and related depreciation charges of property, plant and equipment*

Management determines the estimated useful lives and residual values of its property, plant and equipment to calculate depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually. Future depreciation charge would be adjusted where management believes the useful lives differ from previous estimates.

##### *Fair value of investment property*

The fair value of investment property is determined by valuations from an external professional real estate valuer using recognised valuation techniques and the principles of IFRS 13 "Fair Value Measurement". These valuations entail significant estimates and assumptions about the future as set out in Note 6.

##### *Inventories*

Management determines the net realizable value of inventories to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of inventories with a corresponding effect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

##### *Goodwill*

Management tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 8).

## **ZAD HOLDING COMPANY Q.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **2. BASIS OF PREPARATION (CONTINUED)**

##### **Newly effective standards, and amendments to or interpretations of standards**

During the current year, the Group adopted the below new International Financial Reporting Standards (standards), amendments to and interpretations of standards that are relevant to its operations and are effective for the first time for financial years ending 31 December 2016:

- *IFRS 14 “Regulatory Deferral Accounts”*
- *Amendments to IFRS 11 on accounting for acquisitions of interests in Joint Ventures*
- *Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortization*
- *Amendments to IAS 16 and IAS 41 on Agriculture: Bearer plants*
- *Annual improvements to IFRSs 2012-2014 cycle*
- *Amendments to IFRS 10, IFRS 12 and IAS 28 on investment entities applying the consolidation exception*
- *Amendments to IAS 1 on Disclosure Initiative*

The adoption of the above amendments and interpretations had no significant impact on the Group's consolidated financial statements.

##### **New and amended standards and interpretations to standards not yet effective, but available for early adoption:**

The below International Financial Reporting Standards (standards), amendments to and interpretations of standards that are available for early adoption for financial years ending 31 December 2016 are not effective until a later period, and they have not been applied in preparing these consolidated financial statements.

##### ***Adoption expected to impact the Group's consolidated financial statements:***

###### ***IFRS 9 “Financial Instruments” (Effective for year ending 31 December 2018)***

IFRS 9 published in July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

###### ***IFRS 15 “Revenue from Contracts with Customers” (Effective for year ending 31 December 2018)***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programs”. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 15

###### ***IFRS 16 “Leases” (Effective for year ending 31 December 2019)***

IFRS 16 requires most leases to present right-of-use assets and liabilities on the statement of financial position. IFRS 16 also eliminates the current dual accounting model for leases, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 introduces a single on-balance sheet accounting model that is similar to the current accounting for finance leases. The lessor accounting will remain similar to the current practice, i.e. the lessors will continue to classify leases as finance and operating leases. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 16. Early adoption is permitted only if IFRS 15 is also early adopted.

## **ZAD HOLDING COMPANY Q.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **2. BASIS OF PREPARATION (CONTINUED)**

**New and amended standards and interpretations to standards not yet effective, but available for early adoption (continued)**

*Adoption not expected to impact the Group's consolidated financial statements:*

Effective for year ending 31 January 2017	<ul style="list-style-type: none"><li>• Amendments to IAS 7 "Disclosure Initiative"</li><li>• Amendments to IAS 12 on recognition of deferred tax assets for unrealised losses</li></ul>
Effective for year ending 31 January 2018	<ul style="list-style-type: none"><li>• Amendments to IFRS 2 on classification and measurement of share based payment transactions</li></ul>
Effective date to be determined	<ul style="list-style-type: none"><li>• Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture</li></ul>

#### **3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies of the Group applied in the preparation of these consolidated financial Statements are set out below.

##### **Basis of consolidation**

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

##### **Property, plant and equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

## **ZAD HOLDING COMPANY Q.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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

##### **Property, plant and equipment (continued)**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income/(loss) in the consolidated statement of income.

Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is recognised in the consolidated statement of income on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The useful lives of property, plant and equipment are estimated as follows:

Buildings and attached rights	5 to 30 years
Plant, equipment and tools	1 to 20 years
Furniture & fixtures	4 to 10 years
Motor vehicles	4 to 10 years

##### **Capital work in progress**

Capital work in progress comprise constructions in progress of properties. Capital work in progress are carried at cost less impairment, if any. Costs are those expenses incurred by the Group that are directly attributable to the construction of properties.

Land and capital work in progress are not depreciated

##### **Investment property**

Investment property comprises land and building held for long term and to earn rentals or for capital appreciation or both.

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is recognised in the consolidated statement of income on a straight-line basis over the estimated useful lives of each component of an item of investment property, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The useful lives of building is 15 years.

Investment property is derecognised when either it is disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

## **ZAD HOLDING COMPANY Q.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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

##### **Investment property (continued)**

###### *Investment property under construction*

Property under construction is presented as investment property if intention is to hold such property under construction for rental or capital appreciation or both after completion of the construction.

##### **Investment in commodities**

Investment in commodities represents precious metals and is stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less applicable saleable expenses. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income, to the extent of previously recognised impairment losses.

##### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using first-in-first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business less applicable saleable expenses. Inventories comprise trading stock, spares and consumables as at the reporting date.

##### **Financial instruments**

###### **Non-derivative financial assets**

###### *Accounts, retention and other receivables*

The Group initially recognises trade and other receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group has the following non-derivative financial assets: due from related parties, available for sale investment, accounts, retention and other receivables and cash and cash equivalents.

###### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are not classified as an investment at fair value through the profit or loss or held to maturity or loans or receivables. Available-for-sale financial assets are initially recognized at cost being the fair value of the consideration given. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments are recognized in other comprehensive income and presented within equity in a fair value reserve. When an investment is derecognized, cumulative gains and losses in other comprehensive income are transferred to profit or loss.

###### *Cash and cash equivalents*

Cash and cash equivalent consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts for the purpose of consolidated statement of cash flows.

## **ZAD HOLDING COMPANY Q.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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

##### **Financial instruments (continued)**

###### **Non-derivative financial assets (continued)**

###### *Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- (a) The rights to receive cash flows from the asset have expired;
- (b) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either:
  - (i) The Group has transferred substantially all the risks and rewards of the asset, or
  - (ii) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

###### **Non-derivative financial liabilities**

The Group has the following non-derivative financial liabilities: Islamic financing, due to related parties, accounts, retention and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

###### *Accounts, retention and other payables*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

###### *Islamic Financing*

Islamic financing is recognised initially at the fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost, using the effective profit method, with any differences between the cost and final settlement values being recognised in the consolidated statement of profit or loss over the period of Islamic financing. Installments due within one year are shown as a current liability.

###### *De-recognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the statement of profit or loss and other comprehensive income.

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

**Impairment**

*Impairment of non-financial assets*

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated statements of profit or loss in expense categories consistent with the function of the impaired asset

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

The following assets have specific characteristics for impairment testing:

*Goodwill*

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

*Impairment of financial assets*

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## **ZAD HOLDING COMPANY Q.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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

##### **Impairment (continued)**

###### *Impairment of financial assets (continued)*

###### *Financial assets carried at amortized cost*

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of profit or loss.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

##### **Employees' end of service benefits**

The Group provides end of service benefits to its expatriate employees in accordance with employment contracts and the Qatar Labor Law No. 14 of 2004. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Also, the Group provides for its contribution to the State of Qatar administered retirement fund for Qatari employees in accordance with the Retirement Law. The resulting charge is included within the staff cost in the consolidated statement of profit or loss. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due. This has been presented as other non-current liability in these statement of financial position.

##### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed. For example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursements.

##### **Leasing**

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

## **ZAD HOLDING COMPANY Q.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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

##### **Leasing (continued)**

###### *Group as a lessee*

Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the consolidated statement of profit or loss on a straight line basis over the lease term.

##### **Foreign currency translation**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting date.

Non monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss except for available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss).

##### **Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS 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 period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

##### **Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's Top Management (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

##### **Current versus non-current classification**

The Group presents assets and liabilities based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle, held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting , or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting

The Group classifies all other liabilities as non-current.

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

**Fair value measurement**

The Group measures financial and non-financial assets and liabilities, at fair value at each reporting date for accounting and or disclosure purposes. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 28.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment property. The management comprises of the head of the logistics operations segment, the head of the internal audit department, chief finance officers and the managers of each property.

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided annually after discussion with and approval by the Company's management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

## **ZAD HOLDING COMPANY Q.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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

##### **Fair value measurement (continued)**

The management, in conjunction with the Group's external valuers, also compares changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

##### **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

###### *Sale of goods*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable

###### *Contract revenue, contract work- in-progress and advance billings*

Contract revenue is recognised using the percentage of completion method as estimated based on the physical work done taking into account of payment certificates approved by the client and quantity surveyor. Costs and estimated earnings in excess of billings to date are recorded as contract work-in-progress. Billings to date in excess of costs and estimated earnings are recorded as contract work in progress.

Contract costs include direct material, direct labour and indirect costs related to contract performance. Other costs are expensed as incurred.

Maintenance costs expected to be incurred after the completion of the contract, but before the expiry of the official maintenance year, are provided for during the construction year and charged to contract costs.

Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and revenue and are recognised in the period in which the revisions are determined.

Profit incentives are included in revenues when their realisability is reasonably assured. Provisions for anticipated losses on uncompleted contracts are made in the period in which such losses are determined.

An amount equal to contract costs attributable to claims is included in revenues when realisation is probable and the amount can be reliably estimated.

Estimated future losses are provided for and included in direct costs when they become known and can be reasonably estimated.

###### *Rental income*

Rental income from investment property is recognized on a straight line basis over the term of relevant lease. Lease incentive granted are recognized as an integral part of the total rental income over the term of the lease

## **ZAD HOLDING COMPANY Q.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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

##### **Revenue (continued)**

###### *Interest income and expense*

Interest income and expense are recognized in consolidated statement of income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate.

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income and expense presented in the statement of comprehensive income include interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

###### *Income from available for sale investment securities*

Gains or losses on the sale of investment securities are recognized in profit or loss as the difference between fair value of the consideration received and carrying amount of the investment securities

###### *Logistic operations*

Logistic operations revenue comprises of transportation services. Logistics revenue is measured at the fair value of consideration received or receivable for goods and services and recognised upon completion of the services.

###### *Dividend Income*

Dividend income is recognised when the right to receive income is established.

###### *Compensation from Government of Qatar*

Government grants that are receivable as compensation for expenses already incurred by the Group with no future related costs are recognized in consolidated statement of income in the period in which they become receivable.

Compensation from the Government of Qatar for the sale of subsidized flour is accrued based on the terms of the subsidy agreement signed by the Group with the Government of Qatar.

##### **Borrowing costs**

Borrowing costs attributable to acquisition or construction of qualifying assets are capitalised as part of cost of the assets up to the date of asset being put to its intended use or the construction of the assets is complete. Other borrowing costs are recognised as an expense in the year in which they are incurred.

**4. OPERATING SEGMENTS****Information about reportable segments**

Revenue / profit	Investment & managed services		Trading, manufacturing distribution and services		Contracting, real estate & others		Total	
	For the year ended 31 December		For the year ended 31 December		For the year ended 31 December		For the year ended 31 December	
	2016	2015	2016	2015	2016	2015	2016	2015
External revenue	9,611,562	13,103,525	738,367,185	688,398,221	415,377,513	385,867,957	1,163,356,260	1,087,369,703
Inter-segment revenue	-	-	113,006,048	53,730,712	95,019,472	37,399,012	208,025,520	91,129,724
Compensation from Government of Qatar	-	-	98,436,946	118,232,347	-	-	98,436,946	118,232,347
<b>Total revenue</b>	<b>9,611,562</b>	<b>13,103,525</b>	<b>949,810,179</b>	<b>860,361,280</b>	<b>510,396,985</b>	<b>423,266,969</b>	<b>1,469,818,726</b>	<b>1,296,731,774</b>
<b>Segment profit / (loss)</b>	<b>(65,522,362)</b>	<b>(78,041,615)</b>	<b>172,396,712</b>	<b>146,989,320</b>	<b>60,740,017</b>	<b>93,314,565</b>	<b>167,614,367</b>	<b>160,323,516</b>
Assets and Liabilities	Investment & managed services		Trading, manufacturing distribution and services		Contracting, real estate & others		Total	
	For the year ended 31 December		For the year ended 31 December		For the year ended 31 December		For the year ended 31 December	
	2016	2015	2016	2015	2016	2015	2016	2015
Current assets	653,080,793	497,736,832	327,926,449	412,102,211	187,473,468	168,880,292	<b>1,168,480,710</b>	1,078,719,335
Non - current assets	50,369,882	85,033,504	86,614,840	66,196,935	838,922,981	861,191,042	<b>975,907,703</b>	1,012,421,481
<b>Total assets</b>	<b>703,450,675</b>	<b>582,770,336</b>	<b>414,541,289</b>	<b>478,299,146</b>	<b>1,026,396,449</b>	<b>1,030,071,334</b>	<b>2,144,388,413</b>	<b>2,091,140,816</b>
Current liabilities	101,715,606	60,948,711	316,870,190	332,874,860	148,136,091	170,068,489	<b>566,721,887</b>	563,892,060
Non - Current liabilities	7,394,986	6,787,397	55,883,621	53,865,934	95,337,591	123,043,057	<b>158,616,198</b>	183,696,388
<b>Total Liabilities</b>	<b>109,110,592</b>	<b>67,736,108</b>	<b>372,753,811</b>	<b>386,740,794</b>	<b>243,473,682</b>	<b>293,111,546</b>	<b>725,338,085</b>	<b>747,588,448</b>

**5. PROPERTY, PLANT AND EQUIPMENT**

	<b>Land</b>	<b>Buildings and attached rights</b>	<b>Plant &amp; equipments</b>	<b>Furniture &amp; fixtures</b>	<b>Motor vehicles</b>	<b>Tools</b>	<b>Capital work in progress</b>	<b>Total</b>
<b>Cost</b>								
As at 1 January 2015	10,634,832	476,112,360	247,251,970	18,399,258	107,230,331	13,054,437	35,527,467	908,210,655
Additions	-	1,985,547	13,704,022	3,121,695	17,897,488	1,475,312	12,990,503	51,174,567
Disposals	-	(4,588,715)	(9,008,522)	(588,541)	(4,221,163)	(653,830)	(227,395)	(19,288,166)
Transfer	-	13,484,080	14,771,056	-	-	-	(28,255,136)	-
As at 31 December 2015	10,634,832	486,993,272	266,718,526	20,932,412	120,906,656	13,875,919	20,035,439	940,097,056
Additions	-	2,132,356	15,827,470	973,618	15,481,208	1,255,934	25,862,077	61,532,663
Disposals	-	-	(173,760)	(917,840)	(1,905,197)	-	-	(2,996,797)
Transfer	-	2,972,045	8,561,059	4,299,761	-	-	(15,832,865)	-
<b>As at 31 December 2016</b>	<b>10,634,832</b>	<b>492,097,673</b>	<b>290,933,295</b>	<b>25,287,951</b>	<b>134,482,667</b>	<b>15,131,853</b>	<b>30,064,651</b>	<b>998,632,922</b>
<b>Accumulated depreciation and impairment</b>								
As at 1 January 2015	-	261,760,080	206,090,893	16,011,094	69,118,839	9,026,704	-	562,007,610
Charge for the year	-	24,599,653	11,383,568	1,466,159	11,467,832	1,525,060	-	50,442,272
Disposals	-	(4,437,741)	(8,731,368)	(583,297)	(3,857,064)	(542,611)	-	(18,152,081)
As at 31 December 2015	-	281,921,992	208,743,093	16,893,956	76,729,607	10,009,153	-	594,297,801
Charge for the year	1,587,215	23,396,296	12,715,573	1,441,643	13,005,235	1,397,903	-	53,543,865
Disposals	-	-	(173,760)	(917,840)	(1,829,435)	-	-	(2,921,035)
Transfer	-	-	(4,214,316)	4,214,316	-	-	-	-
<b>As at 31 December 2016</b>	<b>1,587,215</b>	<b>305,318,288</b>	<b>217,070,590</b>	<b>21,632,075</b>	<b>87,905,407</b>	<b>11,407,056</b>	<b>-</b>	<b>644,920,631</b>
<b>Net Book Value</b>								
<b>As at 31 December 2016</b>	<b>9,047,617</b>	<b>186,779,385</b>	<b>73,862,705</b>	<b>3,655,876</b>	<b>46,577,260</b>	<b>3,724,797</b>	<b>30,064,651</b>	<b>353,712,291</b>
As at 31 December 2015	10,634,832	205,071,280	57,975,433	4,038,456	44,177,049	3,866,766	20,035,439	345,799,255

Depreciation is allocated as follows:

	For the year ended 31 December	
	<b>2016</b>	<b>2015</b>
Operating cost (Note 22)	46,194,244	44,060,616
General and administrative expenses (Note 24)	7,349,621	6,381,656
	<b>53,543,865</b>	<b>50,442,272</b>

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**6. INVESTMENT PROPERTY**

The movement during the year were as follows:

	<b>Land</b>	<b>Buildings</b>	<b>Projects under development</b>	<b>31 December 2016 Total</b>	<b>31 December 2015 Total</b>
<b>Cost</b>					
As at 1 January	454,015,300	169,941,949	377,809	624,335,058	686,430,875
Transfer from advance for land	-	-	-	-	205,233,200
Disposals	-	-	-	-	(265,025,200)
Write off	-	-	(377,809)	(377,809)	(2,303,817)
As at 31 December	<b>454,015,300</b>	<b>169,941,949</b>	<b>-</b>	<b>623,957,249</b>	<b>624,335,058</b>
<b>Accumulated depreciation</b>					
As at 1 January	-	45,317,853	-	45,317,853	33,988,390
Depreciation (Note 22)	-	13,320,894	-	13,320,894	11,329,463
As at 31 December	<b>-</b>	<b>58,638,747</b>	<b>-</b>	<b>58,638,747</b>	<b>45,317,853</b>
<b>Net book value</b>					
<b>As at 31 December 2016</b>	<b>454,015,300</b>	<b>111,303,202</b>	<b>-</b>	<b>565,318,502</b>	
<b>As at 31 December 2015</b>	<b>454,015,300</b>	<b>124,624,096</b>	<b>377,809</b>		<b>579,017,205</b>

Investment property comprises a number of residential and commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of one to-five years, with annual rents indexed to consumer prices. Subsequent renewals are negotiated with the lessees and historically the average renewal period was one year.

The management has used the services of an independent evaluator to calculate the fair value of investment property as at 31 December 2016 amounting to QR 810 million (2015: QR 984.7 million). The valuation is based on transaction for the similar asset in the same locality. The management does not expect a significant change in the fair value of investment property during the current year.

Investment properties amounting to QR 90.3 million (2015: QR 90.3 million) of the group are mortgaged against Islamic financing facility (Note 19).

## **7. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

Available for sale financial assets comprise of investment in shares of listed companies classified as available for sale financial assets.

	<b>31 December 2016</b>	31 December 2015
<b>Investment in instruments</b>		
Quoted (Note 7(a))	<b><u>23,149,948</u></b>	<b><u>57,407,710</u></b>

### **a) Investment in quoted equity instruments**

The movement during the year were as follows:

	<b>31 December 2016</b>	31 December 2015
Balance at beginning of the year	57,407,710	113,219,432
Additions during the year	1,885,763	1,701,531
Disposal during the year	(8,459,900)	(30,993,380)
Fair value adjustments (Note 17)	(310,636)	(11,689,873)
Allowance for impairment during the year (Note 25)	(27,372,989)	(14,830,000)
Balance at the end of the year	<b><u>23,149,948</u></b>	<b><u>57,407,710</u></b>

## **8. GOODWILL**

### *Impairment testing of goodwill*

The Group has identified the National Food Company as cash generating unit (CGU) and has allocated the entire goodwill acquired through business combination to this CGU.

The recoverable amount of cash generating unit has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The terminal growth rate does not exceed the long-term average growth rate for the business in which the cash generating units operate. As a result of this exercise, at 31 December 2016 no impairment was identified. (2015: No impairment).

### *Key assumptions used in value in use calculations:*

	<b>National Food Company</b>	
	<b>31 December 2016</b>	31 December 2015
Compound annual volume growth	10%	10%
Terminal growth rate	2%	2%
Discount rate	15%	15%

Management determined compound annual volume growth rate for cash generating unit over five-year forecast to be a key assumption. The volume of growth in each period is the main driver for revenue and costs. The compound annual volume growth rate is based on past performance and management's expectations of market developments. The discount rates used reflect specific risks relating to the relevant operating segments

**9. DUE FROM AND DUE TO GOVERNMENT OF QATAR**

**a) Due from Government of Qatar**

	<b>31 December 2016</b>	31 December 2015
<i>Compensation due from Government of Qatar</i>		
Balance at beginning of the year	146,893,214	141,287,582
Cash received during the year	(108,977,289)	(112,626,715)
Compensation due for the year for sale of subsidized flour	98,436,946	118,232,347
Compensation due from Government of Qatar	<u>136,352,871</u>	146,893,214
Loan from Government of Qatar (Note 9c)	(59,959,040)	(59,959,040)
Net due from Government of Qatar (Note 9b)	<b><u>76,393,831</u></b>	86,934,174

**b)** This includes compensation receivable amounting to QR 68,368,576 (2015: QR 68,368,576) relating to the period up to 31 December 2007 and was computed based on the term of a subsidy agreement dated 25 May 1993.

**c)** A loan amounting to QR 40,000,000 was provided by the Government of Qatar on 5 June 1994 according to decision taken by the cabinet of ministers in the year 1991. The loan was repayable in equal semi-annual installments for 10 years commencing three years after the receipt of the loan. It carries interest at a variable rate of 2% over the Qatar Central bank lending rate. In addition, the Group is required to pay an additional 1% annual rate of interest if it fails to make payment on the due dates. The Group has not yet made any repayment of the principle or interest. However, the Group has made a provision for the interest on the loan amounting to QR 19,959,040.

The interest amount has been computed on the loan balance net of the amount due from Government of Qatar on account of the compensation for subsidized flour. As the amount receivable in respect of compensation for subsidized flour has exceeded the loan balance since beginning of the year 2006, no interest has been accrued for the subsequent period.

The amount of claims under previous compensation agreement and the loan are under review by the Government of Qatar. The loan balance including the accrued interest has been netted off with the compensation due from the Government in respect of the subsidized flour.

**d) Due to Government of Qatar**

Due to Government of Qatar amounting to QR 47,591,581 as at 31 December 2016 (2015: QR 47,591,581) represents the compensation received from the Government of Qatar in order to maintain the strategic wheat stock as required by the Government of Qatar. Since the repayable terms and conditions have not been agreed with the Government of Qatar, the compensation is considered as long term.

**10. RELATED PARTY BALANCES AND TRANSACTIONS**

The Group enters into transaction with companies, entities and individuals that fall within the definition of a related party as referred in International Accounting Standard (IAS) No. 24 Related Party Disclosures. Related parties comprise of Company's shareholders, directors, key management personnel, entities in which the shareholders have controlling interest, affiliates and other related parties.

**a) Compensation of key management personnel**

	For the year ended 31 December <b>2016</b>	2015
Key management remuneration	15,627,326	14,936,431
Post-employment benefits	1,232,484	616,042
	<b><u>16,859,810</u></b>	<u>15,552,473</u>

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**10. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)**

**b) Due from related parties**

	<b>31 December 2016</b>	31 December 2015
Dandy Company W.L.L.	1,499,993	769,228
Seven Brothers Holding Company W.L.L.	157,036	-
	<b><u>1,657,029</u></b>	<b><u>769,228</u></b>

**c) Due to related parties**

	<b>31 December 2016</b>	31 December 2015
MFH Company	11,094,282	8,651,860
Aayan Leasing Company	6,030,347	484,659
Seven Brothers Holding Company W.L.L.	-	5,000
	<b><u>17,124,629</u></b>	<b><u>9,141,519</u></b>

**d) Transaction with related parties**

	Transaction values for the year ended 31 December	
	<b>2016</b>	2015
<b>Sale of goods and services</b>		
<i>Companies under common control</i>		
Dandy Company	1,366,760	170,233
Aayan Leasing Company	16,000	-
<b>Purchase of goods</b>		
<i>Companies under common control</i>		
MFH Company	11,229,094	31,990,278
Qatar Detergent Company	7,274,665	9,480
Aayan Leasing Company	1,969,846	1,213,477

**11. INVENTORIES**

	<b>31 December 2016</b>	31 December 2015
Wheat stock	79,966,685	77,681,067
Raw materials	15,254,507	9,173,001
Packing materials	4,636,697	3,505,782
Empty bags and others	79,669	424,821
Spare parts	7,916,397	5,962,481
Others	1,996,965	480,611
	<b><u>109,850,920</u></b>	<b><u>97,227,763</u></b>
Provision for slow moving inventories	<b><u>(2,368,486)</u></b>	<b><u>(2,221,656)</u></b>
	<b><u>107,482,434</u></b>	<b><u>95,006,107</u></b>
Finished goods	6,699,396	6,725,098
Trading inventories	2,519,515	12,805,492
Total	<b><u>116,701,345</u></b>	<b><u>114,536,697</u></b>

**11. INVENTORIES (CONTINUED)**

The movement for the provision of slow moving inventories is as follows:

	<b>31 December 2016</b>	31 December 2015
Balance at beginning of the year	2,221,656	817,166
Provision for the year	357,269	1,458,143
Written off during the year	(210,439)	(53,653)
Balance at 31 December	<b><u>2,368,486</u></b>	<b><u>2,221,656</u></b>

The Group is required by the Government of Qatar to maintain certain quantities as a minimum stock to avoid any possible stock out of wheat.

**12. ACCOUNTS, RETENTION AND OTHER RECEIVABLES**

	<b>31 December 2016</b>	31 December 2015
Accounts receivable	290,199,297	348,409,667
Retentions receivable – current	<u>21,906,740</u>	<u>19,236,979</u>
	312,106,037	367,646,646
Provision for doubtful debts	<u>(62,086,337)</u>	<u>(63,339,478)</u>
	250,019,700	304,307,168
Prepayments and advances	18,563,754	51,420,775
Margin deposit	1,892,500	2,156,000
Accrued income	2,002,078	1,606,443
Other receivables and deposits	<u>4,304,603</u>	<u>4,636,667</u>
	26,762,935	59,819,885
Provision for other doubtful debts	<u>(4,039,857)</u>	<u>(4,039,857)</u>
	22,723,078	55,780,028
Balance as at 31 December	<b><u>272,742,778</u></b>	<b><u>360,087,196</u></b>

The movement for the provision of doubtful debt is as follows:

	<b>31 December 2016</b>	31 December 2015
Balance at beginning of the year	63,339,478	70,652,442
Provision for the year	892,749	1,407,712
Reversal for the year	(2,132,916)	(7,563,832)
Written off during the year	(12,974)	(1,156,844)
Balance at 31 December	<b><u>62,086,337</u></b>	<b><u>63,339,478</u></b>

A sum of QR 119,549,435 (2015: QR 217,109,594) is receivable from two major customers which represents 38% (2015: 59%) of total accounts and retentions receivable as at 31 December 2016.

The normal credit terms of trade and other receivables falls between 60 to 90 days.

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**13. CASH AND BANK BALANCES**

	<b>31 December 2016</b>	31 December 2015
Cash at banks	305,136,407	280,851,007
Cash in hand	<u>2,225,208</u>	<u>1,586,773</u>
	<b><u>307,361,615</u></b>	<b><u>282,437,780</u></b>

**14. SHARE CAPITAL**

- a) The authorized share capital amounting to QR 215,452,000 as at 31 December 2016 represents 21,545,200 ordinary shares of QR 10 each as follows:

	<b>31 December 2016</b>	31 December 2015
Issued and fully paid share capital – listed at Qatar Exchange	130,810,680	130,810,680
Issued through share exchange transaction – unlisted	<u>84,641,320</u>	<u>84,641,320</u>
	<b><u>215,452,000</u></b>	<b><u>215,452,000</u></b>

- b) Unlisted equity shares 8,464,132 having par value of QR 10 amounting to QR 84,641,320 as at 31 December 2016 (2015: QR 84,641,320) represents the par value of shares issued for acquisition of Meeda Projects Company O.P.C. through a share swap transaction.

The share swap transaction was approved by Ministry of Business and Trade on 29 November 2011 to give effect of ownership change. Accordingly, the commercial registry of Meeda Projects Company O.P.C was amended on 29 December 2011 to give effect of ownership change.

**15. LEGAL RESERVE**

The group maintains a legal reserve in compliance with the provisions of the Qatar Commercial Companies Law No. 11 of 2015, which requires that a minimum amount of 10% of the net profit for each year is transferred to a legal reserve until the legal reserve equals to 50% of the Company's paid-up and issued share capital. No such transfer was made during the year as the reserve balance exceeds 50% of paid-up share capital. The reserve is not available for distribution except in the manner specified in the above law.

**16. CAPITAL RESERVE**

Capital reserve amounting to QR 15,000,000 reflected in the consolidated statement of financial position as at 31 December 2016 (2015: QR 15,000,000) represents additional reserve created from prior years' profits. There has not been any movement in the reserve for the current year.

**17. FAIR VALUE RESERVE**

	<b>31 December 2016</b>	31 December 2015
Balance as at 1 January	2,085,925	21,688,466
Available-for-sale financial assets – net change in fair value (Note 7a)	(310,636)	(11,689,873)
Available-for-sale financial assets – reclassified to profit or loss	<u>(1,434,612)</u>	<u>(7,912,668)</u>
Balance as at 31 December	<b><u>340,677</u></b>	<b><u>2,085,925</u></b>

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**18. DIVIDENDS**

At the Board Meeting held on 28 February 2017, a dividend in respect of the profit for the year ended 31 December 2016 of QR 4.5 per share is recommended. These consolidated financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2017.

The dividends declared in respect of the profit for the year ended 31 December 2015 were QR 86.2 million or QR 4 per share (2014: QR 86.2 million).

**19. ISLAMIC FINANCING**

Islamic financing is presented in the consolidated statement of financial position as follows:

	<b>31 December 2016</b>	31 December 2015
Islamic financing-non current	87,581,281	117,548,071
Islamic financing-current	<u>225,587,077</u>	<u>190,902,380</u>
	<b><u>313,168,358</u></b>	<b><u>308,450,451</u></b>

Islamic financing is secured against corporate guarantee, first degree mortgage over certain investment properties (Note 6), and assignment of rental proceeds from pledged investment properties.

**20. ACCOUNTS PAYABLE, RETENTIONS AND OTHER PAYABLES**

	<b>31 December 2016</b>	31 December 2015
Accounts payable	172,352,719	185,995,137
Provision for job cost	39,980,666	39,666,047
Dividend payable	24,472,604	21,372,775
Social and sports fund payable	8,050,697	14,493,653
Directors' remuneration payable	7,000,000	7,000,000
Sub-contractors payable	6,224,296	13,997,003
Zakat payable	13,470,729	12,053,378
Retentions payable	5,211,169	7,032,576
Accrued interest	351,947	479,737
Accrued expenses	1,525,764	279,980
Other payables	<u>45,369,590</u>	<u>61,477,875</u>
	<b><u>324,010,181</u></b>	<b><u>363,848,161</u></b>

**21. OPERATING REVENUE**

	For the year ended 31 December	
	<b>2016</b>	2015
Sale of other grains and related commodities	321,409,098	293,199,877
Unsubsidized products	243,270,750	240,065,264
Subsidized products	41,009,745	50,782,176
Building materials and logistics	157,117,175	143,151,271
Contracting income	195,733,816	133,564,045
Rental income	59,688,355	58,179,921
Other products and services	<u>119,534,013</u>	<u>82,235,436</u>
	<b><u>1,137,762,952</u></b>	<b><u>1,001,177,990</u></b>

**ZAD HOLDING COMPANY Q.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

In Qatari Riyals

**22. OPERATING COST**

	For the year ended 31 December	
	<b>2016</b>	<b>2015</b>
Material consumed	404,032,502	369,117,811
Depreciation on property, plant and equipment (Note 5)	46,194,244	44,060,616
Depreciation on investment property (Note 6)	13,320,894	11,329,463
Other direct costs	<u>449,102,084</u>	<u>438,823,823</u>
	<b><u>912,649,724</u></b>	<b><u>863,331,713</u></b>

**23. OTHER INCOME**

	For the year ended 31 December	
	<b>2016</b>	<b>2015</b>
Gain on disposal of available-for-sale financial assets	4,696,981	5,255,941
Islamic finance income	3,557,784	1,745,709
Net reversal of provision for doubtful debts (Note 12)	1,240,167	6,156,120
Dividend income	1,333,312	5,909,982
Gain on disposal of property, plant and equipment	251,933	4,041,595
Gain on disposal of investment property	-	50,913,920
Others	<u>13,620,382</u>	<u>10,760,734</u>
	<b><u>24,700,559</u></b>	<b><u>84,784,001</u></b>

**24. GENERAL AND ADMINISTRATIVE EXPENSES**

	For the year ended 31 December	
	<b>2016</b>	<b>2015</b>
Staff salaries and benefits	52,628,885	51,965,600
Sales rebates	14,133,603	10,527,795
Directors' remuneration	9,580,000	9,580,000
Rent	9,131,463	8,692,315
Depreciation on property, plant and equipment (Note 5)	7,349,621	6,381,656
Packing and freight charges	5,337,944	5,318,002
Sales commission	2,951,834	2,300,162
Insurance expenses	2,377,162	2,327,525
Traveling and transportation	1,900,124	1,692,299
Marketing expenses	1,572,946	2,042,682
Miscellaneous	<u>28,437,260</u>	<u>18,899,661</u>
	<b><u>135,400,842</u></b>	<b><u>119,727,697</u></b>

**25. NET IMPAIRMENT LOSS ON COMMODITIES AND AVAILABLE FOR SALE SECURITIES**

	For the year ended 31 December	
	<b>2016</b>	<b>2015</b>
Impairment loss on available-for-sale securities (Note 7a)	27,372,989	14,830,000
Reversal of impairment loss on commodities	<u>(4,301,142)</u>	<u>24,103,495</u>
	<b><u>23,071,847</u></b>	<b><u>38,933,495</u></b>

Reversal of impairment loss on commodities is due to an increase in market value of precious metals. The management has recognized this reversal of impairment based on the accounting policy adopted for the investment in commodities.

**26. EARNINGS PER SHARE**

a) **Basic earnings per share**

	For the year ended 31 December	
	<b>2016</b>	<b>2015</b>
Profit attributable to ordinary shareholders of the company	<u><b>167,614,367</b></u>	<u>160,323,516</u>
Weighted average number of ordinary shares outstanding	<u><b>21,545,200</b></u>	<u>21,545,200</u>
Basic earnings per share (QR)	<u><b>7.78</b></u>	<u>7.44</u>

b) **Diluted earnings per share**

There were no potentially dilutive instruments outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

**27. CONTINGENT LIABILITIES & CAPITAL COMMITMENTS**

As at year end the Group has contingent liability and capital commitments amounting to QR 367.6 million (2015: QR 374.4 million).

**28. FINANCIAL RISK MANAGEMENT**

**Objective and policies**

The Group's principal financial liabilities comprise Islamic financing, accounts, retentions and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as accounts receivables and bank balances which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks which are summarized below.

**Market risk**

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

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Group is exposed to foreign currency risk on its imports. However, the outstanding payments are designated in US Dollar. As the Qatari Riyals is pegged to the US Dollar, balances in US Dollar are not considered to represent a significant currency risk.

**28. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Market risk (continued)**

*Interest rate risk*

Interest rate risk is the risk that the Group's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates. The Group's exposure to interest rate risk is limited to the variable interest bearing borrowings.

At the reporting date, a reasonably possible changes of 100 basis points in interest rates would have increased / (decreased) equity and profit or loss by the amounts showing below:

	<b>31 December 2016</b>	31 December 2015
Islamic financing	<u>+ / (-) 3,131,683</u>	<u>+ / (-) 3,084,504</u>

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is as indicated by the carrying amount of its assets which consist principally of accounts, retentions and other receivable, due from related and bank balances, (except due from Government of Qatar).

With respect to credit risk arising from the financial assets of the Group, the exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as follows:

	<b>31 December 2016</b>	31 December 2015
Bank balances	305,136,407	280,851,007
Accounts, retentions and other receivables	318,303,140	374,439,313
Other assets	4,683,101	4,780,649
Retentions receivable (non-current)	9,339,091	5,711,892
Due from related parties	<u>1,657,029</u>	<u>769,228</u>
	<b><u>639,118,768</u></b>	<b><u>666,552,089</u></b>

A sum of QR. 119,549,435 (2015: QR. 217,109,594) is receivable from two major customers which represents 38% (2015: 59%) of total accounts and retentions receivable as at 31 December 2016. This significant concentration risk has been managed through enhanced monitoring and periodic tracking. The Group has a rigorous policy of credit screening prior to providing services on credit.

The Group reduces the exposure of credit risk arising from other financial assets by maintaining bank accounts with reputable and creditworthy banks and providing services only to the creditworthy counter parties.

*Equity price risk*

Equity price risk represents the sensitivity of the effect of cumulative changes in fair value recognized in equity of the Group to reasonably possible changes in quoted equity share prices, with all other variables held constant. A 5% change in equity price of available for sale investments will effect equity by QR 1,157,497 (2015: QR 2,870,386).

**28. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due. The Group's approach to managing liquidity risk 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 Group's reputation and is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

<b>31 December 2016</b>	<b>Carrying Amount</b>	<b>Contractual cash flows</b>	<b>1-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Accounts payable, retention and other payables	238,035,485	(238,035,485)	238,035,485	-	-
Islamic financing	313,168,358	(313,168,358)	225,587,077	87,581,281	-
Due to related parties	17,124,629	(17,124,629)	17,124,629	-	-
Due to Government of Qatar	47,591,581	(47,591,581)	-	-	47,591,581
	<b>615,920,053</b>	<b>(615,920,053)</b>	<b>480,747,191</b>	<b>87,581,281</b>	<b>47,591,581</b>

<b>31 December 2015</b>	<b>Carrying Amount</b>	<b>Contractual cash flows</b>	<b>1-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Accounts payable, retention and other payables	276,232,308	(276,232,308)	276,232,308	-	-
Islamic financing	308,450,451	(308,450,451)	190,902,380	117,548,071	-
Due to related parties	9,141,519	(9,141,519)	9,141,519	-	-
Due to Government of Qatar	47,591,581	(47,591,581)	-	-	47,591,581
	<b>641,415,859</b>	<b>(641,415,859)</b>	<b>476,276,207</b>	<b>117,548,071</b>	<b>47,591,581</b>

**Capital management**

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and to sustain future development of the business. The management monitors the capital, which the Group defines as total shareholders' equity excluding cumulative changes in fair value reserve and is measured at QR 1,418,709,651 on 31 December 2016 (2015: QR 1,341,466,443).

The Group manages its capital structure and makes adjustments to it, in light of changes in business conditions. To maintain or adjust the capital structure, the Branch may adjust the dividend payment to shareholders, or increase capital. No changes were made in the objectives, policies or process during the years 2016 and 2015.

The Company monitors capital using a gearing ratio, which is debt divided by capital plus debt. The Group's policy is to keep the gearing ratio less than 40%. The Group includes within debt, interest bearing loans and borrowings less cash and cash equivalents. Capital includes shareholders equity less any net unrealised fair value gains.

**29. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Group measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are based on unobservable market data.

All the quoted investments are classified under Level 1 in the fair value hierarchy into which the fair value measurement are categorized.

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair value of the financial assets and liabilities carried at amortised cost approximates their carrying amount, hence not included in the above fair value hierarchy.

**30. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the presentation in the current period's financial statements. However, such reclassification does not have any effect on the net income, net assets and equity of the previous year.