



**Zad Holding Company** S.A.Q.  
*nurturing excellence*

**ANNUAL REPORT 2014**



ALWAYS  
NURTURING EXCELLENCE  
a portfolio of pure potential



H.H. Sheikh Tamim bin Hamad Al-Thani

*Emir of the State of Qatar*

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## HONOURABLE BOARD OF DIRECTORS

## AGENDA OF THE ANNUAL GENERAL MEETING

Sheikh Nasser Bin Mohammad Bin Jabor Al-Thani

**Chairman**

Sheikh Talal Bin Mohammad Bin Jabor Al-Thani

**Vice Chairman**

Sheikh Nawaf Bin Mohammad Bin Jabor Al-Thani

**Managing Director**

Sheikh Mansour Bin Mohammad Bin Jabor Al-Thani

**Board Member**

Sheikh Thamer Bin Mohammad Bin Jabor Al-Thani

**Board Member**

Sheikh Jabor Bin Mohammad Bin Hassan Al-Thani

**Board Member**

Mr. Ali Eskander Al-Ansari

**Board Member**

Mr. Saud Omar Al-Mana

**Board Member**

Mr. Abdella Ali Al-Ansari

**Board Member**

Mr. Ahmad Ali Bokshisha

**Representative of The Ministry of Economy & Finance**

Mr. Tarique Mohammad

**Chief Executive Officer**

- 1 Hearing the Board of directors report on the company performance and financial position for the financial year ended 31st December 2014 and the company's outlook.
- 2 Hearing the External Auditors report on the Balance Sheet and Income Statement of the company for the financial year ended on 31st December 2014.
- 3 Discuss and approve the Balance Sheet and Income Statement of the company for the financial year ended 31st December 2014.
- 4 Approval of the recommendation of the Board of Directors regarding dividend distribution of 40% of the nominal value of the shares as cash dividend for the financial year 2014
- 5 Absolve the Members of Board of Directors from all responsibilities for the financial year ended 31st December 2014, and approve their remuneration.
- 6 Discuss the Corporate Governance Report of the year 2014.
- 7 Appointment of the External Auditors for the year 2015 and decide their fees.

BOARD OF DIRECTORS REPORT FOR THE YEARS  
ENDED 31 DECEMBER 2014

**Sheikh Nasser bin Mohammad bin Jabor Al Thani**  
**Chairman**

***Respected Shareholders and Dear Guests,***

It is a great pleasure and honor that I welcome you on behalf of the Board of Directors to the Annual General Meeting of Zad Holding Company S.A.Q.

I am also pleased to congratulate you on the good performance of the company during the financial year 2014. The company has managed to maintain an excellent financial position. As it is shown in the financial reports, your company has achieved an increase in net profit by 45.2% from QR 125.1 million in 2013 to QR 181.7 million in 2014. This was achieved by continuing to strengthen the performance of the company in all the sectors.

I would also like to take this opportunity to extend my sincere thanks and gratitude for His Highness the Emir of the state of Qatar Sheikh Tamim bin Hamad Al Thani for his continued support.

We would also like to express our sincere appreciation to HE the Prime Minister Sheikh Abdella bin Nasser bin Khalifa Al-Thani, for his continued support.

I would also like to thank you for the trust you have placed in the Board of directors of the Company and for your support, and I would like to thank the management and the employees of the company for their effort and dedication.

**Nasser Bin Mohammad bin Jabor Al Thani**  
Chairman



**Sheikh Nawaf bin Mohammad bin Jabor Al Thani**  
**Managing Director**

***Dear Shareholders,***

It is with great pleasure that I present the Board of Directors' report on the performance of the company and the financial results for the years ended 31st December 2014.

On a year on year basis, the net profit has increased by 45.2% from QR 125.1 million (2013) to QR 181.7 million (2014) and earning per share increased by QR 2.62 per share from QR 5.81 to QR 8.43 over the previous year. Further, as per the resolution passed in the company AGM in 2008, we have provided QR 4.28 million for Zakat for the year 2014.

The company continues to study the demand/supply in the market for all its products and services in order to make necessary arrangements and be prepared to cater to the market. Accordingly the company has taken the following strategic steps.

- 1 The company has successfully completed the expansion of flour mill's capacity with an additional 70 MT per day thereby reaching a total capacity to 670 MT/day during the year 2014. Further, the company is in the process to expand the capacity by 150 MT per day and expected to complete by early 2016.
- 2 In view of the growing economy due to infra-structure development, the company is in the process of expanding asphalt production capacity, logistics facilities etc.
- 3 The company has completed the first phase of developing warehouses and leased out. And is also in the process of further enhancing the warehousing capacity including cold stores in the year 2015.

We would like to express our sincere gratitude and appreciation to HH the Emir of the State of Qatar, Sheikh Tamim bin Hamad Al-Thani for his guidance to realize our objectives under his patronage and able leadership.

We would also like to express our sincere appreciation to HE the Prime Minister Sheikh Abdella bin Nasser bin Khalifa Al-Thani, the Minister of Finance HE Ali Sherif Al Emadi and the Minister of Economy and Trade HE Sheikh Ahmed bin Jassem Al Thani for their continued support.

We would finally like to thank all our valued shareholders for their continuous trust and support to the Board of Directors and the management of the company.

**Nawaf bin Mohammed bin Jabor Al Thani**  
Managing Director

## INDEPENDENT AUDITOR'S REPORT

To  
**The Shareholders**  
**Zad Holding Company (Q.S.C)**  
**Doha - State of Qatar**

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Zad Holding Company Q.S.C. (the "Company"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statement of income, and the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Basis of qualified opinion

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 Company 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.

Rights to use land with a carrying value of QR 179,833,646 had been recognized as Investment Property acquired under business combination since the year 2011 and being used for operating activities. Since the property used for operations has to be recognised as Property, plant and equipment under IAS 16, the management has reclassified this assets under Property plant and equipment and has also accounted for the related depreciation for the last 3 years in the current year instead of restating comparative financial statements as required under IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. As a result of the above, as at 1 January 2013, Property, Plant and Equipment was lower by QR 162,209,631 and Investment property was higher by the same value. And as at 31 December 2013, Property, Plant and Equipment was lower by QR 145,506,805 and Investment property was higher by the same value. Additionally, depreciation charge on Property, Plant and Equipment for the year 2014 was higher by QR 34,326,841 and, for the year 2013 depreciation on Property, plant and equipment was short by QR 16,702,826 and retained earnings as at 1 January 2013 and 31 December 2013 was higher by QR 17,624,015 and QR 34,326,841 respectively. However, as at 31 December 2014 Investment Property, Property, Plant and Equipment and retained earnings are fairly stated.

Furthermore, the Company in its previous years financial statements has stated that it has adopted Fair value model for investment properties acquired under business combination in the year 2011 valuing QR 683,749,249, even though these properties were carried at deemed cost from the date of acquisition. The depreciation charge for the said investment properties from its acquisition date is accounted for in the current year financial statements instead of restating comparative financial statements in accordance with IAS 8. As a result Investment property as at 1 January 2013 and 31 December 2013 are higher by QR 11,329,463 and QR 22,658,927 respectively

and depreciation charge on Investment property for the year ended 31 December 2014 is higher by QR 22,658,927 and lower by QR 11,329,463 for the year ended 31 December 2013, and retained earnings as at 1 January 2013 and 31 December 2013 are higher by QR 11,329,463 and QR 22,658,927 respectively. However, as at 31 December 2014 Investment Property and retained earnings are fairly stated.

### Qualified Opinion

In our opinion, except for the effects on the consolidated financial statements of the matters referred to in the Basis for qualified opinion paragraph the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Emphasis of matter

Without further qualifying our opinion, we draw attention to note 15(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.

### Other matter

The Company's comparative audited consolidated financial statements as at and for the year ended 31 December 2013 were audited by another auditor, whose audit report dated 25 March 2014 expressed qualified audit opinion on the matter as stated in paragraph 1 above. Further, the predecessor auditor's audit report contained following additional qualification:

the Company has recognized leased lands as "rights to use lands" under investment properties in the consolidated statement of financial position out of which certain leased lands with carrying value of QR 141,083,246 do not meet the definition of an investment property as required by the International Financial Reporting Standards - IAS 40; Investment Properties. Further, these leased lands have been carrying at the Company's consolidated statement of financial position at fair value measured during the year 2011 based on the management estimation amounting to QR 179,833,646 and these fair value of leased lands "rights to use lands" were not based on the valuations by an independent valuer or not supported by an appropriate market evidences. In addition, we did not receive sufficient and appropriate audit evidence to ensure the fair value of investment properties as at 31 December 2013.

### The update on the above stated qualifications / relevance to our audit report is as follows:

The management has addressed the predecessor auditors qualification on rights to use land by reclassifying rights to use land from Investment Property to Property, Plant and Equipment, as the said property is being used in operating activities

IAS 40 - Investment Property (2011) paragraphs 33 to 50 provides guidance on fair valuing the investment properties. The standard does not makes it imperative to hire the services of an independent valuer. Therefore, if the management with appropriate knowledge of the market and available relevant information is able to estimate the fair valuation of the investment property in line with IAS 40 (2011) guidance, then it can be considered as IAS 40 (2011) compliant fair valuation. The management had determined the values of the investment property during the year 2011 as per IFRS 3 - Business Combinations accounting for business acquisitions.

### 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. We confirm that physical count of the inventories was carried out in accordance with established principles. We have reviewed the accompanying report of the Board of Directors and confirm that 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 provisions of the Qatar Commercial Companies Law No. 5 of 2002 or the terms of the Company's Articles of Association and the amendments thereto having occurred during the year which might have had a material adverse effect on the business of the Company or on its consolidated financial position as at 31 December 2014.

14 March 2015

**Gopal Balasubramaniam**  
 Doha KPMG, State of Qatar  
 Audit Registration No. 251

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2014

ASSETS	2014 (QR.)	2013 (QR.)
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	346,203,045	118,538,029
Advance for purchase of land	205,233,200	30,836,943
Investment property	652,442,485	1,108,622,619
Available-for-sale financial assets	113,219,432	285,852,052
Retention receivable	1,970,340	1,342,759
Other assets	4,878,197	4,975,744
Goodwill	19,704,770	19,704,770
<b>Total non-current assets</b>	<b>1,343,651,469</b>	<b>1,569,872,916</b>
<b>Current assets</b>		
Excess of revenue over billings	6,350,017	6,302,195
Due from Government of Qatar	81,328,542	79,880,452
Due from related parties	1,209,700	281,928
Inventories	155,789,272	125,483,214
Accounts, retentions and other receivables	260,618,375	168,895,444
Investment in gold and silver	91,241,586	-0-
Cash and bank balances	77,962,450	57,571,645
<b>Total current assets</b>	<b>674,499,942</b>	<b>438,414,878</b>
<b>Total assets</b>	<b>2,018,151,411</b>	<b>2,008,287,794</b>

Continued...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2014

Continued...

SHAREHOLDERS' EQUITY AND LIABILITIES	2014 (QR.)	2013 (QR.)
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	215,452,000	215,452,000
Legal reserve	563,120,753	563,120,753
Capital reserve	15,000,000	15,000,000
Fair value reserve	21,688,466	171,643,979
Retained earnings	477,611,312	375,419,593
<b>TOTAL EQUITY</b>	<b>1,292,872,531</b>	<b>1,340,636,325</b>
<b>Non-current liabilities</b>		
Employees' end of service benefits	14,715,853	12,226,254
Due to Government of Qatar	47,591,581	47,591,581
Islamic financing-non current	148,036,690	192,575,953
<b>Total non-current liabilities</b>	<b>210,344,124</b>	<b>252,393,788</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable, retentions and other payables	322,936,884	287,309,654
Due to related parties	17,818,643	40,115,287
Islamic financing-current	174,179,229	87,832,740
<b>TOTAL CURRENT LIABILITIES</b>	<b>514,934,756</b>	<b>415,257,681</b>
<b>TOTAL LIABILITIES</b>	<b>725,278,880</b>	<b>667,651,469</b>
<b>Total equity and liabilities</b>	<b>2,018,151,411</b>	<b>2,008,287,794</b>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR  
ENDED DECEMBER 31, 2014

	2014 (QR.)	2013 (QR.)
Operating revenue	769,209,284	654,028,416
Compensation from Government of Qatar for sale of subsidised flour	122,662,032	116,664,292
<b>Total revenue</b>	<b>891,871,316</b>	<b>770,692,708</b>
Operating cost	(776,828,453)	(596,090,179)
<b>Gross profit</b>	<b>115,042,863</b>	<b>174,602,529</b>
Other income	199,143,686	78,771,565
General and administrative expenses	(80,349,161)	(87,327,169)
Selling and distribution expenses	(35,798,663)	(30,109,056)
Finance costs	(12,048,924)	(5,553,455)
Zakat Contribution	(4,286,852)	(5,275,958)
<b>Profit</b>	<b>181,702,949</b>	<b>125,108,456</b>
<b>Earnings per share</b>		
Basic and diluted earnings per share	8.43	5.81

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE YEAR ENDED  
DECEMBER 31, 2014

	2014 (QR.)	2013 (QR.)
<b>Profit</b>	<b>181,702,949</b>	<b>125,108,456</b>
<b>Other comprehensive income</b>		
<b>Items that are or may be reclassified to profit or loss</b>		
Available-for-sale financial assets - net change in fair value	17,044,856	37,295,202
Available-for-sale financial assets - reclassified to profit or loss	(167,000,369)	(45,512,274)
<b>Other comprehensive income</b>	<b>(149,955,513)</b>	<b>(8,217,072)</b>
<b>Total comprehensive income</b>	<b>31,747,436</b>	<b>116,891,384</b>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2014

	Share Capital (QR.)	Legal Reserve (QR.)	Capital Reserve (QR.)	Fair Value Reserve (QR.)	Retained Earnings (QR.)	Total (QR.)
<b>Balance at 1 January 2013</b>	<b>215,452,000</b>	<b>563,120,132</b>	<b>15,000,000</b>	<b>179,861,051</b>	<b>339,208,852</b>	<b>1,312,642,035</b>
<b>Total comprehensive income</b>						
<b>Profit</b>	-	-	-	-	<b>125,108,456</b>	<b>125,108,456</b>
<b>Other comprehensive income</b>	-	-	-	<b>(8,217,072)</b>	-	<b>(8,217,072)</b>
<b>Total comprehensive income</b>				<b>(8,217,072)</b>	<b>125,108,456</b>	<b>116,891,384</b>
Contribution to social and sports fund	-	-	-	-	(2,716,294)	(2,716,294)
Transferred to legal reserve	-	621	-	-	(621)	-
Dividends	-	-	-	-	(86,180,800)	(86,180,800)
Balance at 31 December 2013	215,452,000	563,120,753	15,000,000	171,643,979	375,419,593	1,340,636,325
<b>Balance at 1 January 2014</b>	<b>215,452,000</b>	<b>563,120,753</b>	<b>15,000,000</b>	<b>171,643,979</b>	<b>375,419,593</b>	<b>1,340,636,325</b>
<b>Total comprehensive income</b>						
<b>Profit</b>	-	-	-	-	<b>181,702,949</b>	<b>181,702,949</b>
Other comprehensive income	-	-	-	(149,955,513)	-	(149,955,513)
<b>Total comprehensive income</b>	-	-	-	<b>(149,955,513)</b>	<b>181,702,949</b>	<b>31,747,436</b>
Contribution to social and sports fund	-	-	-	-	(4,103,030)	(4,103,030)
Dividends	-	-	-	-	(75,408,200)	(75,408,200)
<b>Balance at 31 December 2014</b>	<b>215,452,000</b>	<b>563,120,753</b>	<b>15,000,000</b>	<b>21,688,466</b>	<b>477,611,312</b>	<b>1,292,872,531</b>

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 (QR.)	2013 (QR.)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit	181,702,949	125,108,456
Adjustments for:		
Provision for impairment of accounts receivables	14,589,762	29,251,393
Provision for slow moving inventories	222,374	293,452
Depreciation on property, plant and equipment	80,249,483	29,543,994
Depreciation on investment property	33,988,390	-
Impairment on property, plant and equipment	105,956	-
Amortization of lease premium	-	96,945
Reversal of provision for slow moving stock	(295,875)	(246,942)
Gain on disposal of property, plant and equipment	(409,601)	(959,861)
Finance costs	12,048,924	5,553,455
Employees' end of service benefits	4,212,671	3,014,097
Zakat Contribution	4,286,852	5,275,958
Loss on transfer of inventories	-	366,982
Reversal of provision for doubtful debts	(94,984)	(15,250)
Write off of capital work in progress	209,464	-
Dividend income	(18,581,767)	(16,456,698)
Islamic finance income	(331,259)	(560,714)
Gain on sale of available for sale financial assets	(167,000,369)	(46,513,275)
	144,902,970	133,751,992
<b>Change in:</b>		
Inventories	(30,232,557)	17,666,623
Excess of revenue over billings	(47,822)	(1,128,750)
Due from and due to Government of Qatar (net)	(1,448,090)	7,487,179
Accounts, retentions and other receivables	(106,747,743)	(5,296,997)
Due from and to related parties (net)	(23,224,416)	(3,825,233)
Accounts payable, retention and other payables	27,531,072	3,731,822
<b>Cash generated from operating activities</b>	<b>10,733,414</b>	<b>152,386,636</b>
Employee's end of service benefits paid	(1,689,382)	(738,957)
Zakat paid	(8,615,881)	(4,284,713)
Finance costs paid	(12,384,208)	(7,853,549)
<b>Net cash (used in) / from operating activities</b>	<b>(11,956,057)</b>	<b>139,509,417</b>

Continued...

CONSOLIDATED STATEMENT OF CASH FLOWS FOR  
THE YEAR ENDED DECEMBER 31, 2014

Continued...

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2014 (QR.)</b>	<b>2013 (QR.)</b>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(54,391,228)	(29,181,509)
Proceeds from disposal of property, plant and equipment	1,059,811	643,668
Proceeds from sale of assets classified as held for sale	-	1,270,774
Proceeds from sale of available-for-sale financial assets	260,402,778	61,629,732
Acquisition of investment properties	(1,709,657)	(11,084,719)
Dividend income received	18,581,767	16,456,698
Acquisition of available for sale financial assets	(70,725,302)	(52,829,060)
Acquisition of gold and silver	(91,241,586)	-
Advance for purchase of land	(4,983,757)	(4,983,748)
Islamic finance income received	331,259	560,714
<b>Net cash from / (used in ) investing activities</b>	<b>57,324,085</b>	<b>(17,517,450)</b>
<b>Cash flows from financing activities</b>		
Net movement in Islamic financing	41,807,226	(55,455,187)
Dividends paid	(66,784,449)	(86,180,800)
Net cash used in financing activities	(24,977,223)	(141,635,987)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>20,390,805</b>	<b>(19,644,020)</b>
Cash and cash equivalents at beginning of the year	57,571,645	77,215,665
<b>Cash and cash equivalents at end of the year</b>	<b>77,962,450</b>	<b>57,571,645</b>



INVESTING IN THE FUTURE  
today, for tomorrow

