



شركة زاد القابضة  
Zad Holding Company S.A.Q.

## Annual Report 2011 & 2012

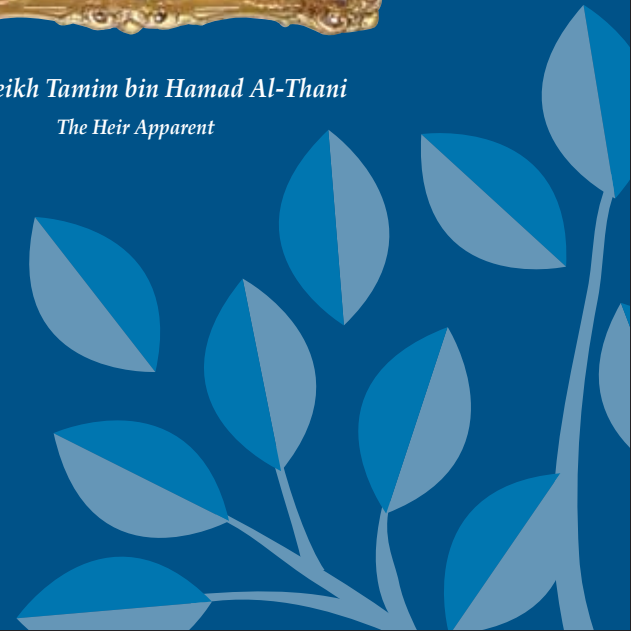




*H.H. Sheikh Hamad bin Khalifa Al-Thani*  
*Emir of the State of Qatar*



*H.H. Sheikh Tamim bin Hamad Al-Thani*  
*The Heir Apparent*





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## Honourable Board of Directors

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 2011 and the financial year ended 31st December 2012 and the company outlook.
- 2 Hearing the External Auditors report on the Balance Sheet and Income Statement of the company for the financial year ended 31st December 2011 and the financial year ended 31st December 2012.
- 3 Discuss and approve the Balance Sheet and Income Statement of the company for the financial year ended 31st December 2011.
- 4 Absolve the Members of Board of Directors from all responsibilities for the financial year ended 31st December 2011, and approve their remuneration.
- 5 Discuss and approve the Balance Sheet and Income Statement of the company for the financial year ended 31st December 2012.
- 6 Absolve the Members of Board of Directors from all responsibilities for the financial year ended 31st December 2012, and approve their remuneration.
- 7 Approval of 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 2012
- 8 Discuss the Corporate Governance Report of the year 2012.
- 9 Approve the decision of the board of directors to extend the appointment of Talal Abu Gezaleh as external auditors for the year 2012 as there was no AGM held in 2012.
- 10 Appointment of the External Auditors for financial year 2013 and decide their fees.





Sheikh Nasser bin Mohammad  
bin Jabor Al Thani  
Chairman

## Respected Shareholders...

### 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 years 2011 and 2012. 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 74% from QR 63.2 million in 2010 to QR 110.2 million in 2012. This was achieved by continuing to strengthen the performance of the company in the food sector as well as acquiring Meeda Projects Company as a part of its diversification strategy.

I would like to extend my sincere thanks and gratitude for His Highness the Emir of the State of Qatar, Sheikh Hamad bin Khalifa Al Thani and his Heir Apparent HH Sheikh Tamim bin Hamad Al Thani for their 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.

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







Sheikh Nawaf bin Mohammad bin Jabor Al Thani  
Managing Director

## Board of Directors Report for the years ended 31 December 2011 and 31 December 2012

### 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 2011 and 31 December 2012.

#### For the year ended 31st December 2011

on a year on year basis, the gross profit has increased by 2,8% from QR 85,9 million (2010) to 88,3 million (2011) and the net profit has increased by 34.5% from QR 63.2 million (2010) to QR 84.9 million (2011). Further, as per the resolution passed in the company AGM in 2008, we have provided QR 5.0 million for Zakat for the year 2011.

We successfully completed the rights issue of 30% during the year and accordingly 3,018,708 shares were allotted and listed.

As a part of our strategy to continue investing in the food sector, we purchased National Food Company (NFC). NFC is a modern and well equipped company producing and marketing processed frozen meat products of the highest quality standards under the brand name of Al Arabia locally and international markets.

In line with our strategy to seek opportunities for diversification into other sectors, we successfully completed the acquisition of Meeda Projects Company as approved by the EGM held on 13 June 2011 according to the commercial law No 5 of 2002 and the acquisition law No 3 of 2010. Accordingly, the Commercial Registration (CR) and Articles of Association (AOA) of both the companies were amended and the authorised share capital of Zad holding company was increased to QR 215,452,000 on 12 December 2011. The only outstanding requirement is listing of the new shares in Qatar Exchange to the shareholders of Meeda Projects Company. The principal activities of Meeda Projects Company are investment in real estates including properties development, contracting, manufacturing and supply of Readymix concrete & asphalt and transportation & logistics.

#### For the year ended 31st December 2012

On a year on year basis, the gross profit has increased by 74,5 % from QR 88,3 million (2011) to 154,1 million (2012) and the net profit has increased by 29.7% from QR 84.9 million (2011) to QR 110.2 million (2012). Further, as per the resolution passed in the company AGM in 2008, we have provided QR 4.28 million for Zakat for the year 2012.

The diversification and acquisition strategy of the company has contributed in the first year itself remarkable earnings as expressed above and we expect this will grow and sustain in the years to come.

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

We would also like to express our sincere appreciation to HE the Prime Minister Sheikh Hamad bin Jassim bin Jabor Al-Thani, the Minister of Economy and Finance HE Yousef Hussein Kamal and HE The Minister of Business and Trade Sheikh Jassemin Abdulaziz 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.

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

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") and its subsidiaries (together referred to as the "Group"), Doha-State of Qatar, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management 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 management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the Group'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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 for Qualified Opinion

- As explained in note 10 to the consolidated financial statements, an amount of QR.68,368,576 is receivable as a compensation from Government of Qatar in respect of subsidized flour sold during earlier years as per the provisions of the compensation agreement that was enforced until December 13, 2007. The quantification of the claim in respect of subsidized flour is still under discussion with the Government of Qatar. We were unable to obtain assurance that this amount will be recovered in full. Further, the loan from Government of Qatar amounting to QR.59,959,040 as at December 31, 2011 has been netted off against the amount due in respect of the subsidies to arrive at the net outstanding balance due from Government of Qatar amounting to QR.87,928,107 as at December 31, 2011. The Group was unable to demonstrate to us that the right of set off exists. Accordingly, we were unable to obtain assurance that the set off is appropriate.

### Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Zad Holding Company (Q.S.C) (the "Company") and its subsidiaries (together referred to as the "Group"), Doha-State of Qatar, as at December 31, 2011, and their consolidated financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on Other Legal and Regulatory Requirements

In addition, in our opinion, the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We are not aware of any violations of the provisions of Qatar Commercial Companies Law No. 5 of 2002, or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position as at December 31, 2011. Except for the matters described in the Basis for Qualified Opinion paragraph, and note 15, 16, 17, and 25(b), we have obtained the required information and explanations as deemed necessary for the purpose of our audit.

**TALAL ABU-GHAZALEH & CO.**

Hazim Al Surkhi  
(Licence No. 119) Doha, March 31, 2012



Consolidated  
Statement of  
Financial  
Position as at  
December 31,  
2011

	2011 (QR.)	2010 (QR.)
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	137,022,493	83,383,947
Investment properties	1,039,783,654	-0-
Goodwill	19,704,770	-0-
Investment in subsidiary-Al Heer Development Co.	200,000	-0-
Advance for purchase of land	20,869,447	15,885,699
Available-sale-financial assets	314,666,012	320,530,272
Due from Government of Qatar	68,368,576	68,368,576
Retention receivable - non current	9,072,271	-0-
Other assets - non current	869,637	-0-
<b>Total non-Current Assets</b>	<b>1,610,556,860</b>	<b>488,168,494</b>
<b>CURRENT ASSETS</b>		
Inventories	136,253,821	47,258,040
Excess of revenue over billings	4,385,274	-0-
Due from Government of Qatar	19,559,531	14,916,907
Accounts, retentions and other receivables	150,160,343	69,569,084
Due from related party	202,680	-0-
Assets classified as held for sale	3,000,000	16,000,000
Cash in hand and at banks	54,216,326	83,990,027
<b>Total current Assets</b>	<b>367,777,975</b>	<b>231,734,058</b>
<b>Total Assets</b>	<b>1,978,334,835</b>	<b>719,902,552</b>

(Continued)

(Continued)

	2011 (QR.)	2010 (QR.)
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	130,810,680	100,623,600
Shares reserved for exchange	84,641,320	-0-
Legal reserve	561,370,631	70,584,050
Capital reserve	15,000,000	15,000,000
Fair value reserve	235,690,924	241,921,033
Retained earnings	232,929,478	174,669,014
<b>Total Shareholders' Equity</b>	<b>1,260,443,033</b>	<b>602,797,697</b>
<b>NON-CURRENT LIABILITIES</b>		
Employees' end of service benefits	7,761,521	3,880,098
Borrowings - non current	232,297,291	-0-
<b>Total Non-Current Liabilities</b>	<b>240,058,812</b>	<b>3,880,098</b>
<b>CURRENT LIABILITIES</b>		
Accounts, retentions and other payables	304,505,060	113,224,757
Due to related parties	94,908,970	-0-
Borrowings - current	57,983,869	-0-
Refinancing loans - current	20,435,091	-0-
<b>Total Current Liabilities</b>	<b>477,832,990</b>	<b>113,224,757</b>
<b>Total Assets</b>	<b>717,891,802</b>	<b>117,104,855</b>
<b>Total Shareholders' Equity and Liabilities</b>	<b>1,978,334,835</b>	<b>719,902,552</b>

Consolidated  
Statement of  
Financial  
Position as at  
December 31,  
2011

Consolidated  
Income  
Statement of  
the year  
ended  
December 31,  
2011

REVENUE	2011 (QR.)	2010 (QR.)
Operating revenue	293,583,850	303,343,475
Compensation from Government of Qatar for sale of subsidized flour	111,469,253	85,366,318
<b>Total revenue</b>	<b>405,053,103</b>	<b>388,709,793</b>
Operating cost	(316,701,506)	(302,760,138)
<b>Gross Profit</b>	<b>88,351,597</b>	<b>85,949,655</b>
Other operating income	32,897,749	38,413,061
Impairment on assets classified as held for sale	(13,000,000)	(2,000,000)
Gain or bargain purchase of subsidiary	41,768,508	-0-
General and administrative expenses	(41,013,344)	(35,793,589)
Selling and distribution expenses	(18,896,682)	(11,270,805)
Finance charges	(104,404)	(458,260)
<b>Profit before zakat fund contribution</b>	<b>90,003,424</b>	<b>74,840,062</b>
Zakat fund contribution	(5,007,052)	(11,610,719)
<b>Profit for the year</b>	<b>84,996,372</b>	<b>63,229,343</b>
<b>Earnings per share</b>		
Basic earnings per share	6.84	5.85
Diluted earnings per shares	6.84	5.85

Consolidated  
Statement of  
the Compre-  
hensive  
Income of the  
year ended  
December 31,  
2011

	2011 (QR.)	2010 (QR.)
<b>Profit for the year</b>	<b>84,996,372</b>	<b>63,229,343</b>
<b>Other comprehensive income</b>		
Net changes in fair value of available-for-sale financial assets	(6,230,109)	(75,856,812)
<b>Other comprehensive (loss) income for the year</b>	<b>(6,230,109)</b>	<b>(75,856,812)</b>
<b>Total comprehensive income for the year</b>	<b>78,766,263</b>	<b>139,086,155</b>

## Consolidated statement of changes in shareholders' equity for the year ended December 31, 2011

	Share Capital (QR.)	Share Reserved (QR.)	Legal Reserve (QR.)	Capital Reserve (QR.)	Fair Value Reserve (QR.)	General Reserve (QR.)	Retained Earnings (QR.)	Total (QR.)
<b>Balance as at January 01, 2010</b>	<b>91,476,000</b>	<b>-0-</b>	<b>70,283,862</b>	<b>15,000,000</b>	<b>166,064,221</b>	<b>586,229</b>	<b>135,067,985</b>	<b>478,478,297</b>
<b>Total comprehensive income for the year</b>								
Profit for the year	-0-	-0-	-0-	-0-	-0-	-0-	63,229,343	63,229,343
<b>Other comprehensive income</b>								
Net changes in fair value of available-for-sale financial assets	-0-	-0-	-0-	-0-	75,856,812	-0-	-0-	75,856,812
<b>Total comprehensive income for the year</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>75,856,812</b>	<b>-0-</b>	<b>63,229,343</b>	<b>139,086,155</b>
Transferred to legal reserve	-0-	-0-	300,188	-0-	-0-	-0-	(300,188)	-0-
Contribution to social and sports fund	-0-	-0-	-0-	-0-	-0-	-0-	(1,045,355)	(1,045,355)
Bonus shares issued	9,147,600	-0-	-0-	-0-	-0-	-0-	(9,147,600)	-0-
Dividend distribution for the year 2009	-0-	-0-	-0-	-0-	-0-	(586,229)	(13,135,171)	(13,721,400)
Balance as at December 31, 2010	100,623,600	-0-	70,584,050	15,000,000	241,921,033	-0-	174,669,014	602,797,697
<b>Balance as at January 01, 2011</b>	<b>100,623,600</b>	<b>-0-</b>	<b>70,584,050</b>	<b>15,000,000</b>	<b>241,921,033</b>	<b>-0-</b>	<b>174,669,014</b>	<b>602,797,697</b>
<b>Total comprehensive income for the year</b>								
Profit for the year	-0-	-0-	-0-	-0-	-0-	-0-	84,996,372	84,996,372
<b>Other comprehensive income</b>								
Net changes in fair value of available-for-sale financial assets	-0-	-0-	-0-	-0-	(6,230,109)	-0-	-0-	(6,230,109)
<b>Total comprehensive income for the year</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>(6,230,109)</b>	<b>-0-</b>	<b>84,996,372</b>	<b>78,766,263</b>
Contribution to social and sports fund	-0-	-0-	-0-	-0-	-0-	-0-	(1,580,008)	(1,580,008)
Rights issue	30,187,080	-0-	75,467,700	-0-	-0-	-0-	-0-	105,654,780
Right issue transaction cost	-0-	-0-	(270,000)	-0-	-0-	-0-	-0-	(270,000)
Shares reserved for share exchange transaction	-0-	84,641,320	-0-	-0-	-0-	-0-	-0-	84,641,320
Share Premium on share exchange transaction	-0-	-0-	415,588,881	-0-	-0-	-0-	-0-	415,588,881
Dividend distribution for the year 2010	-0-	-0-	-0-	-0-	-0-	-0-	(25,155,900)	(25,155,900)
<b>Balance as at December 31, 2011</b>	<b>130,810,680</b>	<b>84,641,320</b>	<b>561,370,631</b>	<b>15,000,000</b>	<b>235,690,924</b>	<b>-0-</b>	<b>232,929,478</b>	<b>1,260,443,033</b>





# Consolidated Statement of Cash Flows for the year ended December 31, 2011

	2011 (QR.)	2010 (QR.)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	84,996,372	63,229,343
Adjustments for:		
Gain or bargain purchase of subsidiary	(41,768,508)	-0-
Dividend income	(21,796,047)	(21,415,140)
Depreciation of property, plant and equipment	28,336,788	25,256,486
Interest income	(1,320,433)	(2,091,829)
Provision for employees' end of service benefits	1,968,415	1,375,715
Profit on disposal of property, plant and equipment	(132,311)	(20,389)
Finance charges	104,404	458,260
Provision for slow moving inventories	50,000	-0-
Zakat fund contribution	5,007,052	11,610,719
Provision for doubtful debts	-0-	542,654
Impairment on assets classified as held for sale	13,000,000	2,000,000
<b>Operating profit before working capital changes</b>	<b>68,445,732</b>	<b>80,945,819</b>
<b>Changes in operating assets and liabilities of:</b>		
Inventories	(83,306,879)	(9,082,159)
Due from the Government of Qatar	(4,642,624)	(7,180,482)
Accounts, retentions and other receivable	16,128,630	(29,297,842)
Due from related parties	1,338,250	-0-
Assets classified as held for sale	-0-	16,514,039
Accounts, retentions and other payables	41,336,033	1,937,406
Due to related parties	(132,165,630)	-0-
Liabilities classified as held for sale	-0-	(5,331,918)
<b>Cash (used in) generated from operations</b>	<b>(92,866,488)</b>	<b>(48,504,863)</b>
Zakat fund paid	(11,610,719)	(7,451,709)
Employees' end of service benefits paid	(808,569)	(448,405)
Finance charges paid	(104,404)	(458,260)
<b>Net Cash (used in) from Operating Activities</b>	<b>(105,390,180)</b>	<b>(40,146,489)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(16,564,852)	(17,874,650)
Net cash outflow on acquisition of subsidiaries	(27,341,725)	-0-
Advance payments for the purchase of land	(4,983,748)	(4,983,748)
Dividend received	21,796,047	21,415,140
Interest received	1,320,433	2,028,701
Proceeds from the disposal of property, plant and equipment	746,013	50,700
Acquisition of available-for-sale financial assets	(19,540)	(4,300,000)
<b>Net Cash (used in) Investing Activities</b>	<b>(25,047,372)</b>	<b>(3,663,857)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net movements in refinancing loans	20,434,971	-0-
Proceeds from rights issue	105,654,780	-0-
Rights issue transaction cost	(270,000)	-0-
Dividend distribution	(25,155,900)	(12,998,171)
<b>Net Cash from (used in) Financing Activities</b>	<b>100,663,851</b>	<b>(12,998,171)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(29,773,701)</b>	<b>23,484,461</b>
Cash and cash equivalents at beginning of the year	83,990,027	60,505,566
<b>Cash and cash equivalents at end of the year</b>	<b>54,216,326</b>	<b>83,990,027</b>





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") and its subsidiaries (together referred to as "the Group"), Doha-State of Qatar, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

Management 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 management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the Group'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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 for Qualified Opinion

As explained in note 10 to the consolidated financial statements, an amount of QR.68,368,576 is receivable as a compensation from Government of Qatar in respect of subsidized flour sold during earlier years as per the provisions of the compensation agreement that was enforced until December 13, 2007. The quantification of the claim in respect of subsidized flour is still under discussion with the Government of Qatar. We were unable to obtain assurance that this amount will be recovered in full. Further, the loan from Government of Qatar amounting to QR.59,959,040 as at December 31, 2012 has been netted off against the amount due in respect of the subsidies to arrive at the net outstanding balance due from Government of Qatar amounting to QR.87,367,631 as at December 31, 2012. The Group was unable to demonstrate to us that the right of set off exists. Accordingly, we were unable to obtain assurance that the set off is appropriate.

We did not receive lawyer's letter for all litigations, claims and pending legal cases if any, and their probable outcome as at December 31, 2012.

The Group has recorded a loan amounting to QR.215,000,000, which has been granted by a local bank to two founders of the subsidiary. However, the loan has not been legally transferred to the Group and still in the names of those founders. Further, loan interest amounting to QR.7,581,841 has been charged to consolidated income statement for the year ended December 31, 2012. Also we were not provided with the loan agreement, documentary evidences for subsequent reschedule of loan installments and confirmation from the bank for the balance loan outstanding, accrued interest and interest expenses amounting to QR.162,030,088, QR.2,721,740 and QR.7,581,841 respectively as at and for the year ended December 31, 2012.

As discussed in note 6(b), the Group has recognized leased lands as "rights to use lands" under investment properties in the consolidated statement of financial position and the leased lands have been measured at fair value based on the management estimation amounting to QR.179,833,646 as at December 31, 2012. The fair value of leased lands "right to use lands" were not based on the valuations by an independent valuer or not supported by any appropriate market evidences. In addition, we were not provided with a lease agreement of a "right to use land" amounted to QR.38,750,400 as at December 31, 2012.

## Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Zad Holding Company (Q.S.C) ("the Company") and its subsidiaries (together referred to as "the Group"), Doha-State of Qatar, as at December 31, 2012, and their consolidated financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Emphasis of Matters

Without further qualifying our opinion, we draw attention to following matters and notes to the consolidated financial statements:

As detailed in notes 9(c), 15(d), 16, 17 and 25 (b) to the consolidated financial statements, the Group is in the process of issuance of 8,464,132 shares of the Company at a par value of QR. 10 each to the shareholders of an acquired subsidiary. Pursuant to Memorandum of Understanding (MOU) dated January 25, 2011 with the subsidiary on which each 7,7387 shares of the subsidiary to be exchanged for one newly issued share of the Company. However, as at December 31, 2012, these shares were not distributed to the shareholders of the subsidiary. Considering the potential impact on the equity structure of the Group, the financial positions and operating results for the year ended December 31, 2011 and December 31, 2012 respectively have been consolidated with these consolidated financial statements without issuance of the Company's shares.

The consolidated financial statements for the year ended December 31, 2011 were not approved by the shareholders at the annual general meeting as the annual general meeting was not held.

## Report on Other Legal and Regulatory Requirements

In addition, in our opinion, the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We are not aware of any violations of the provisions of Qatar Commercial Companies Law No. 5 of 2002, or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position as at December 31, 2012. Except for the matter described in the Basis for Qualified Opinion paragraph, and notes 9 (c), 15 (d), 16, 17, 20(b) and 25(b), we have obtained the required information and explanations as deemed necessary for the purpose of our audit.

TALAL ABU-GHAZALEH & CO

Hazim Al Surkhi  
(License No. 119) Doha, March 31, 2012

Consolidated  
Statement of  
Financial  
Position as at  
December 31,  
2012

ASSETS	2012 (QR.)	2011 (QR.)
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	118,717,371	137,022,493
Investment properties	1,099,222,350	1,039,783,654
Goodwill	19,704,770	19,704,770
Investment in subsidiary-Al-Heer Development Co.	200,000	200,000
Advance for purchase of land	25,853,195	20,869,447
Available-for-sale financial assets	260,656,521	314,666,012
Due from Government of Qatar	68,368,576	68,368,576
Retentions receivable	10,858,488	9,072,271
Other assets	772,689	869,637
<b>Total Non-Current Assets</b>	<b>1,604,353,960</b>	<b>1,610,556,860</b>
<b>CURRENT ASSETS</b>		
Inventories	143,563,329	136,253,821
Excess of revenue over billings	5,173,445	4,385,274
Due from Government of Qatar	18,999,055	19,559,531
Accounts, prepayments and other receivables	183,518,861	150,160,343
Due from related parties	311,378	202,680
Assets classified as held for sale	2,723,902	3,000,000
Cash in hand and at banks	77,132,579	54,216,206
<b>Total Current Assets</b>	<b>431,422,549</b>	<b>367,777,855</b>
<b>Total Assets</b>	<b>2,035,776,509</b>	<b>1,978,334,715</b>

(Continued)

(Continued)

	2012 (QR.)	2011 (QR.)
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital-Listed	130,810,680	130,810,680
Shares capital -Unlisted	84,641,320	84,641,320
<b>Total Share Capital</b>	<b>215,452,000</b>	<b>215,452,000</b>
Legal reserve	563,120,132	561,370,631
Capital reserve	15,000,000	15,000,000
Fair value reserve	179,861,051	235,690,924
Retained earnings	339,208,852	232,929,478
<b>Total Shareholders' Equity</b>	<b>1,312,642,035</b>	<b>1,260,443,033</b>
<b>NON-CURRENT LIABILITY</b>		
Employees' end of service benefits	9,951,114	7,761,521
Due to Government of Qatar	47,591,581	-0-
Borrowings	193,141,987	232,297,291
<b>Total Non-Current Liabilities</b>	<b>250,684,682</b>	<b>240,058,812</b>
<b>CURRENT LIABILITIES</b>		
Accounts and other payables	285,641,009	304,505,060
Due to related parties	44,086,890	94,908,970
Borrowings	142,721,893	78,418,840
<b>Total Current Liabilities</b>	<b>472,449,792</b>	<b>477,832,870</b>
<b>Total Liabilities</b>	<b>723,134,474</b>	<b>717,891,682</b>
<b>Total Shareholders' Equity and Liabilities</b>	<b>2,035,776,509</b>	<b>1,978,334,715</b>

Consolidated  
Statement of  
Financial  
Position as at  
December 31,  
2012

Consolidated  
Income  
Statement of  
the year  
ended  
December 31,  
2012

REVENUE	2012	2011
	(QR.)	(QR.)
Operating revenue	559,641,741	293,583,850
Compensation from Government of Qatar for sale of subsidized flour	107,064,800	111,469,253
<b>Total revenue</b>	<b>666,706,541</b>	<b>405,053,103</b>
Operating cost	(512,597,884)	(316,701,506)
<b>Gross profit</b>	<b>154,108,657</b>	<b>88,351,597</b>
Other operating income	57,569,767	32,897,749
Impairment on assets classified as held for sale	(276,098)	(13,000,000)
Gain on bargain purchase of subsidiary	-0-	41,768,508
General and administrative expenses	(58,614,704)	(41,063,344)
Selling and distribution expenses	(25,233,834)	(18,846,682)
Finance charges	(13,006,217)	(104,404)
<b>Profit before Zakat fund contribution</b>	<b>114,547,571</b>	<b>90,003,424</b>
Zakat fund contribution	(4,284,713)	(5,007,052)
<b>Profit for the year</b>	<b>110,262,858</b>	<b>84,996,372</b>
<b>Earnings per share</b>		
Basic earnings per share	5.11	6.65
Diluted earnings per shares	5.11	6.65

Consolidated  
Statement of  
the Compre-  
hensive  
Income of the  
year ended  
December 31,  
2012

	2012	2011
	(QR.)	(QR.)
<b>Profit for the year</b>	<b>110,262,858</b>	<b>84,996,372</b>
<b>Other comprehensive income</b>		
Net changes in fair value of available-for-sale financial assets	(44,212,993)	(6,230,109)
Net changes in fair value of available-for-sale financial assets transferred to profit or loss	(11,616,880)	-0-
<b>Other comprehensive income for the year</b>	<b>(55,829,873)</b>	<b>(6,230,109)</b>
<b>Total comprehensive income for the year</b>	<b>54,432,985</b>	<b>78,766,263</b>





## Consolidated statement of changes in shareholders' equity for the year ended December 31, 2012

	Share Capital (QR.)	Legal Reserve (QR.)	Capital Reserve (QR.)	Fair Value Reserve (QR.)	Retained Earnings (QR.)	Total (QR.)
<b>Balance as at January 01, 2011</b>	<b>100,623,600</b>	<b>70,584,050</b>	<b>15,000,000</b>	<b>241,921,033</b>	<b>174,669,014</b>	<b>602,797,697</b>
<b>Total comprehensive income for the year</b>						
Profit for the year	-0-	-0-	-0-	-0-	84,996,372	84,996,372
<b>Other comprehensive income</b>						
Net changes in fair value of available-for-sale financial assets	-0-	-0-	-0-	(6,230,109)	-0-	(6,230,109)
Other comprehensive (loss) for the year	-0-	-0-	-0-	(6,230,109)	-0-	(6,230,109)
<b>Total comprehensive income for the year</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>(6,230,109)</b>	<b>84,996,372</b>	<b>78,766,263</b>
Contribution to social and sports fund	-0-	-0-	-0-	-0-	(1,580,008)	(1,580,008)
Right issue	30,187,080	75,467,700	-0-	-0-	-0-	105,654,780
Right issue transaction cost	-0-	(270,000)	-0-	-0-	-0-	(270,000)
Shares reserved for share exchange transaction	84,641,320	-0-	-0-	-0-	-0-	84,641,320
Share premium on share exchange transaction	-0-	415,588,881	-0-	-0-	-0-	415,588,881
Dividend distribution	-0-	-0-	-0-	-0-	(25,155,900)	(25,155,900)
Balance as at December 31, 2012	130,810,680	561,370,631	15,000,000	235,690,924	232,929,478	1,260,443,033
<b>Balance as at January 01, 2012</b>	<b>130,810,680</b>	<b>561,370,631</b>	<b>15,000,000</b>	<b>235,690,924</b>	<b>232,929,478</b>	<b>1,260,443,033</b>
<b>Total comprehensive income for the year</b>						
Profit for the year	-0-	-0-	-0-	-0-	110,262,858	110,262,858
<b>Other comprehensive income</b>						
Net changes in fair value of available-for-sale financial assets	-0-	-0-	-0-	(44,212,993)	-0-	(44,212,993)
Net changes in fair value of available-for-sale financial assets transferred to profit or loss	-0-	-0-	-0-	(11,616,880)	-0-	(11,616,880)
Other comprehensive (loss) for the year	-0-	-0-	-0-	(55,829,873)	-0-	(54,432,985)
<b>Total comprehensive income for the year</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>(55,829,873)</b>	<b>110,262,858</b>	<b>54,432,985</b>
Contribution to social and sports fund	-0-	-0-	-0-	-0-	(2,233,983)	(2,233,983)
Bonus shares issued	-0-	-0-	-0-	-0-	-0-	-0-
Transferred to Legal reserve	-0-	1,749,501	-0-	-0-	(1,749,501)	-0-
Balance as at December 31, 2012	130,810,680	563,120,132	15,000,000	179,861,051	339,208,852	1,312,642,035

## CASH FLOWS FROM OPERATING ACTIVITIES

	2012 (QR.)	2011 (QR.)
Profit for the year	110,262,858	84,996,372
Adjustments for:		
Gain on bargain purchase of subsidiary	-0-	(41,768,508)
Dividend income	(20,903,536)	(21,796,047)
Depreciation of property, plant and equipment	32,964,391	28,336,788
Islamic finance income	(43,769)	(1,320,433)
Amortization of lease premium	96,948	-0-
Gain on sale of available-for-sale financial assets	(11,616,880)	-0-
Provision for employees' end of service benefits	2,898,632	1,968,415
Profit on disposal of property, plant and equipment	(63,563)	(132,311)
Finance charges	13,006,217	104,404
Provision for slow moving inventories	323,443	50,000
Zakat fund contribution	4,284,713	5,007,052
Provision for doubtful debts	4,561,984	-0-
Bad debts written off	307,763	-0-
Impairment on assets classified as held for sale	276,098	13,000,000
<b>Operating profit before working capital changes in operating assets and liabilities</b>	<b>136,355,299</b>	<b>68,445,732</b>
Inventories	(7,632,951)	(83,306,879)
Excess of revenue over billings	(788,171)	-0-
Due from and due to Government of Qatar	48,152,057	(4,642,624)
Accounts, retentions and other receivables	(40,014,482)	16,128,630
Due from related parties	(108,698)	1,338,250
Accounts, retentions and other payables	(10,809,963)	41,336,033
Due to related parties	(50,822,080)	(132,165,630)
<b>Cash generated from operations</b>	<b>74,331,011</b>	<b>(92,866,488)</b>
Zakat paid	(5,007,052)	(11,610,719)
Employees' end of service benefits paid	(709,039)	(808,569)
Finance charges paid	(10,950,591)	(104,404)
<b>Net Cash from Operating Activities</b>	<b>57,664,329</b>	<b>(105,390,180)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(15,074,706)	(16,564,852)
Addition to investment properties	(59,248,696)	-0-
Net cash outflow on acquisition of subsidiaries	-0-	(27,341,725)
Advance payments for purchase of land	(4,983,748)	(4,983,748)
Islamic finance income received	43,769	1,320,433
Dividend received	20,903,536	21,796,047
Proceeds from disposal of property, plant and equipment	289,000	746,013
Proceeds from sale of available-for-sale financial assets	50,867,783	-0-
Acquisition of available-for-sale financial assets	(41,071,285)	(19,540)
<b>Net Cash (used in) from Investing Activities</b>	<b>(48,274,347)</b>	<b>(25,047,372)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net movements in borrowings	13,526,391	20,434,851
Proceeds from rights issue net of transaction cost	-0-	105,384,780
Restricted bank balances	-0-	(24,105,131)
Dividend distribution	-0-	(25,155,900)
<b>Net Cash (used in) Financing Activities</b>	<b>13,526,391</b>	<b>76,558,600</b>
<b>Net increase in cash and cash equivalents</b>	<b>22,916,373</b>	<b>(53,878,952)</b>
Cash and cash equivalents at beginning of the year	30,111,075	83,990,027
<b>Cash and cash equivalents at end of the year</b>	<b>53,027,448</b>	<b>30,111,075</b>

## Consolidated Statement of Cash Flows for the year ended December 31, 2012







مبنى التفتيش الإداري  
Administrative Inspection Building

