

ZAD HOLDING COMPANY Q.S.C.
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2017

ZAD HOLDING COMPANY Q.S.C.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

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Independent auditor's report on review of condensed consolidated interim financial statements to the Board of Directors of Zad Holding Company Q.S.C.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Zad Holding Company Q.S.C. (the "Company") as at 30 June 2017, the condensed consolidated statements of income, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements (the "condensed consolidated interim financial statements"). The Board of Directors of the Company is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 – "*Interim Financial Reporting*". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Basis of qualified conclusion

As more fully explained in note 7 of these financial statements, receivable from the Government of Qatar includes compensation amounting to QR 68,368,576 in respect of subsidized flour sold during earlier years 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 Qatar. We have been unable to obtain assurance that this amount will be recovered in full. Further, the Government of Qatar 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 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.



Qualified conclusion

Based on our review, with the exception of the matter described in preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying 30 June 2017 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 – “*Interim Financial Reporting*”.

Emphasis of matter

Without further qualifying our opinion, we draw attention to note 10(b) to the condensed consolidated interim 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.

13 August 2017
Doha
State of Qatar

A handwritten signature in blue ink, appearing to read 'Gopal Balasubramaniam', written over a faint grid pattern.

Gopal Balasubramaniam
Qatar Auditors Registry Number 251
KPMG
Licensed by QFMA: External Auditor's
License No. 120153

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

In Qatari Riyals

| | Note | 30 June 2017 (Reviewed) | 31 December 2016 (Audited) |
|-------------------------------------------|------|-------------------------------|----------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 361,838,031 | 353,712,291 |
| Investment properties | 5 | 555,710,572 | 565,318,502 |
| Available-for-sale financial assets | 6 | 36,883,171 | 23,149,948 |
| Retention receivable | | 252,452 | 9,339,091 |
| Other assets | | 4,508,477 | 4,683,101 |
| Goodwill | | 19,704,770 | 19,704,770 |
| Total non-current assets | | 978,897,473 | 975,907,703 |
| Current assets | | | |
| Inventories | | 104,766,676 | 116,701,345 |
| Contract work in progress | | 9,855,524 | 31,537,790 |
| Due from Government of Qatar | 7(a) | 81,700,793 | 76,393,831 |
| Accounts, retention and other receivables | | 353,681,256 | 272,742,778 |
| Investment in commodities | | 381,612,328 | 362,086,322 |
| Due from related parties | 8(b) | 2,485,195 | 1,657,029 |
| Cash and bank balances | 9 | 280,799,892 | 307,361,615 |
| Total current assets | | 1,214,901,664 | 1,168,480,710 |
| Total assets | | 2,193,799,137 | 2,144,388,413 |

Continued.....

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2017

In Qatari Riyals

| | Note | 30 June 2017 (Reviewed) | 31 December 2016 (Audited) |
|------------------------------------------------|------|-------------------------------|----------------------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 10 | 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 | | 15,296,834 | 340,677 |
| Retained earnings | | 642,874,876 | 625,136,898 |
| Total equity | | 1,451,744,463 | 1,419,050,328 |
| Non- current liabilities | | | |
| Due to Government of Qatar | 7(d) | 47,591,581 | 47,591,581 |
| Islamic financing – non current | 11 | 71,101,768 | 87,581,281 |
| Other non – current liabilities | | 25,013,965 | 23,443,336 |
| Total non-current liabilities | | 143,707,314 | 158,616,198 |
| Current liabilities | | | |
| Accounts payable, retention and other payables | | 301,716,133 | 324,010,181 |
| Due to related parties | 8(c) | 3,310,374 | 17,124,629 |
| Islamic financing – current | 11 | 293,320,853 | 225,587,077 |
| Total current liabilities | | 598,347,360 | 566,721,887 |
| Total liabilities | | 742,054,674 | 725,338,085 |
| Total equity and liabilities | | 2,193,799,137 | 2,144,388,413 |

These condensed consolidated interim financial statements were approved by the Board of Directors and signed on its behalf by the following on 13 August 2017.

Abdulla Ali M A Al-Ansari
Board Member

Tarique Mohammad
Chief Executive Officer

The attached notes on pages from 10 to 17 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

In Qatari Riyals

| | Note | For the six month period ended 30 June | |
|-----------------------------------------------------------------------|------|-------------------------------------------|--------------------|
| | | 2017 (Reviewed) | 2016 (Reviewed) |
| Operating revenue | | 521,095,974 | 628,526,307 |
| Compensation from Government of Qatar for sale of subsidized flour | | 44,369,656 | 51,076,650 |
| Total revenue | | 565,465,630 | 679,602,957 |
| Operating cost | | (419,112,459) | (528,769,406) |
| Gross profit | | 146,353,171 | 150,833,551 |
| Other income | 12 | 41,555,746 | 42,542,339 |
| General and administrative expenses | | (68,350,623) | (63,305,998) |
| Impairment loss on available-for-sale financial assets | | - | (12,054,926) |
| Finance costs | | (4,866,916) | (4,299,777) |
| Profit for the period | | 114,691,378 | 113,715,189 |
| Earnings per share | | | |
| Basic and diluted earnings per share | 13 | 5.32 | 5.28 |

The attached notes on pages from 10 to 17 form an integral part of these condensed consolidated interim financial statements.

ZAD HOLDING COMPANY Q.S.C.

CONDENSED CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

In Qatari Riyals

| | For the six month period ended 30 June | |
|----------------------------------------------------------------------|-------------------------------------------|---------------------------|
| | 2017 (Reviewed) | 2016 (Reviewed) |
| Profit for the period | 114,691,378 | 113,715,189 |
| Other comprehensive income | | |
| <i>Items that are or may be reclassified to profit or loss:</i> | | |
| Available-for-sale financial assets – net change in fair value | 15,102,141 | 12,908,133 |
| Available-for-sale financial assets – reclassified to profit or loss | <u>(145,984)</u> | <u>(14,934,621)</u> |
| Other comprehensive income for the period | <u>14,956,157</u> | <u>(2,026,488)</u> |
| Total comprehensive income for the period | <u>129,647,535</u> | <u>111,688,701</u> |

The attached notes on pages from 10 to 17 form an integral part of these condensed consolidated interim financial statements.

ZAD HOLDING COMPANY Q.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

In Qatari Riyals

| | Share Capital | Legal Reserve | Capital Reserve | Fair value Reserve | Retained Earnings | Total Equity |
|-------------------------------------------------|--------------------|--------------------|--------------------|-----------------------|----------------------|----------------------|
| Balance at 1 January 2016 (<i>Audited</i>) | 215,452,000 | 563,120,753 | 15,000,000 | 2,085,925 | 547,893,690 | 1,343,552,368 |
| Profit for the period | - | - | - | - | 113,715,189 | 113,715,189 |
| Other comprehensive income | - | - | - | (2,026,488) | - | (2,026,488) |
| Total comprehensive income | - | - | - | (2,026,488) | 113,715,189 | 111,688,701 |
| Dividends paid (Note 14) | - | - | - | - | (86,180,800) | (86,180,800) |
| Balance at 30 June 2016 (<i>Reviewed</i>) | <u>215,452,000</u> | <u>563,120,753</u> | <u>15,000,000</u> | <u>59,437</u> | <u>575,428,079</u> | <u>1,369,060,269</u> |
| Balance as at 1 January 2017 (<i>Audited</i>) | 215,452,000 | 563,120,753 | 15,000,000 | 340,677 | 625,136,898 | 1,419,050,328 |
| Profit for the period | - | - | - | - | 114,691,378 | 114,691,378 |
| Other comprehensive income | - | - | - | 14,956,157 | - | 14,956,157 |
| Total comprehensive income | - | - | - | 14,956,157 | 114,691,378 | 129,647,535 |
| Dividends paid (Note 14) | - | - | - | - | (96,953,400) | (96,953,400) |
| Balance at 30 June 2017 (<i>Reviewed</i>) | <u>215,452,000</u> | <u>563,120,753</u> | <u>15,000,000</u> | <u>15,296,834</u> | <u>642,874,876</u> | <u>1,451,744,463</u> |

The attached notes on pages from 10 to 17 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

In Qatari Riyals

| | Note | For the six month period ended 30 June | |
|-------------------------------------------------------------------------|------|-------------------------------------------|----------------------|
| | | 2017 (Reviewed) | 2016 (Reviewed) |
| Cash flows from operating activities | | | |
| Profit for the period | | 114,691,378 | 113,715,189 |
| <i>Adjustments for:</i> | | | |
| Provision for impairment of accounts receivables | | - | 210,283 |
| Reversal of provision for slow moving inventories | | (241,931) | - |
| Reversal of provision on investment in commodities | 12 | (19,526,006) | (24,103,495) |
| Impairment on available-for-sale financial assets | | - | 12,054,926 |
| Depreciation of property, plant and equipment and investment properties | | 38,337,114 | 31,529,517 |
| Finance costs | | 4,866,916 | 4,299,777 |
| Employees' end of service benefits - (net) | | 1,570,629 | 2,796,976 |
| Dividend income | 12 | (497,403) | (795,749) |
| Reversal of provision for doubtful debts | | (76,927) | (863,225) |
| Islamic finance income | 12 | (3,950,395) | (1,601,155) |
| Gain on sale of available-for-sale financial assets | 12 | (158,253) | (4,508,887) |
| | | <u>135,015,122</u> | <u>132,734,157</u> |
| <i>Change in:</i> | | | |
| - Inventories | | 12,176,600 | (10,179,827) |
| - Excess of revenue over billings | | 21,682,266 | (3,215,515) |
| - Due from and due to Government of Qatar - (net) | | (5,306,962) | 10,933,311 |
| - Accounts, retention and other receivables | | (71,797,395) | (99,053,865) |
| - Due from and to related parties - (net) | | (14,642,421) | 8,796,229 |
| - Accounts payable, retention and other payables | | <u>(30,075,840)</u> | <u>(25,514,218)</u> |
| Cash generated from operating activities | | 47,051,370 | 14,500,272 |
| Finance costs paid | | <u>(4,630,553)</u> | <u>(4,562,945)</u> |
| Net cash from operating activities | | <u>42,420,817</u> | <u>9,937,327</u> |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | | (36,854,924) | (36,080,398) |
| Acquisition of commodities | | - | (81,803,896) |
| Proceeds from sale of available-for-sale financial assets | | 1,527,331 | 10,183,605 |
| Dividend income received | 12 | 497,403 | 795,749 |
| Islamic finance income received | | <u>4,001,358</u> | <u>1,601,155</u> |
| Net cash used in investing activities | | <u>(30,828,832)</u> | <u>(105,303,785)</u> |

Continued...

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

In Qatari Riyals

| | Note | For the six month period ended 30 June | |
|---------------------------------------------------------------|------|-------------------------------------------|--------------------|
| | | 2017 (Reviewed) | 2016 (Reviewed) |
| Cash flows from financing activities | | | |
| Islamic financing movement - (net) | | 51,254,263 | 42,496,644 |
| Dividends paid | | (89,407,971) | (64,496,591) |
| Net cash used in financing activities | | (38,153,708) | (21,999,947) |
| Net (decrease) / increase in cash and cash equivalents | | (26,561,723) | (117,366,405) |
| Cash and cash equivalents at beginning of the period | | 307,361,615 | 282,437,780 |
| Cash and cash equivalents at end of the period | 9 | 280,799,892 | 165,071,375 |

The attached notes on pages from 10 to 17 form an integral part of these condensed consolidated interim financial statements.

1. REPORTING ENTITY

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 condensed consolidated interim financial statements as at and for the six month period ended 30 June 2017 ("the consolidated interim financial statements") comprise the Company and its subsidiaries (together referred as the "Group").

The Group's main activities are import of wheat, production of different kinds of flour, manufacturing and marketing of pasta, biscuits 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 investment in financial instruments.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" and have been presented in Qatari Riyals ("QR"), which is the Group's functional and presentation currency.

These condensed consolidated interim financial statements do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2016. In addition, results for the six month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

b) Judgments and estimates

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of amendments to standards which became effective as of 1 January 2017, as noted below:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies

During the current period, the below new amended International Financial Reporting Standards ("IFRS" or "standards") and improvements to standards became effective for the first time for financial periods beginning on 1 January 2017:

- *Amendments to IAS 7 "Disclosure Initiative"*
- *Amendments to IAS 12 on recognition of deferred tax assets for unrealised losses*
- *Amendments to IFRS 12 as part of the "Annual improvements to IFRSs 2014-2016 cycle-various standards".*

The adoption of the above amendments to standards had no significant impact on the condensed consolidated interim financial statements.

New standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these financial statements. Those which are relevant to the Group are set out below. The Group has no plan to early adopt these standards.

- *IFRS 15 - Revenue from Contracts with Customers (Effective 1 January 2018).*
- *IFRS 9 - Financial Instruments (Effective 1 January 2018).*
- *IFRS 16 – Leases (Effective 1 January 2019)*

The Group is assessing the potential impact of the above stated new standards, amendments and the improvements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

4. OPERATING SEGMENTS

Information about reportable segments

| Revenue / profit | Investment & managed services | | Trading, manufacturing, distribution & services | | Contracting, real estate & others | | Total |
|---------------------------------------|----------------------------------------|--------------------|-------------------------------------------------|--------------------|----------------------------------------|----------------------|----------------------|
| | For the six month period ended 30 June | | For the six month period ended 30 June | | For the six month period ended 30 June | | |
| | 2017 (Reviewed) | 2016 (Reviewed) | 2017 (Reviewed) | 2016 (Reviewed) | 2017 (Reviewed) | 2016 (Reviewed) | |
| External revenue | 24,132,008 | 31,032,840 | 304,443,827 | 444,453,187 | 234,075,885 | 195,582,619 | 562,651,720 |
| Inter-segment revenue | - | - | 69,535,860 | 36,019,610 | 58,024,880 | 41,939,964 | 127,560,740 |
| Compensation from Government of Qatar | - | - | 44,369,656 | 51,076,650 | - | - | 44,369,656 |
| Total revenue | 24,132,008 | 31,032,840 | 418,349,343 | 531,549,447 | 292,100,765 | 237,522,583 | 800,104,870 |
| Segment profit / (loss) | 2,383,716 | (3,263,829) | 96,154,713 | 97,391,321 | 16,152,949 | 19,587,697 | 113,715,189 |
| Assets and Liabilities | Investment & managed services | | Trading, manufacturing, distribution & services | | Contracting, real estate & others | | Total |
| | 30 June 2017 | | 30 June 2017 | | 30 June 2017 | | |
| | (Reviewed) | (Audited) | (Reviewed) | (Audited) | (Reviewed) | (Audited) | |
| Current assets | 645,795,923 | 653,080,793 | 330,036,378 | 327,926,449 | 239,069,363 | 187,473,468 | 1,214,901,664 |
| Non - current assets | 64,376,018 | 50,369,882 | 108,227,516 | 86,614,840 | 806,293,939 | 838,922,981 | 978,897,473 |
| Total assets | 710,171,941 | 703,450,675 | 438,263,894 | 414,541,289 | 1,045,363,302 | 1,026,396,449 | 2,193,799,137 |
| Current liabilities | 72,366,938 | 101,715,606 | 360,416,501 | 316,870,190 | 165,563,921 | 148,136,091 | 598,347,360 |
| Non - current liabilities | 8,584,443 | 7,394,986 | 56,197,776 | 55,883,621 | 78,925,095 | 95,337,591 | 143,707,314 |
| Total liabilities | 80,951,381 | 109,110,592 | 416,614,277 | 372,753,811 | 244,489,016 | 243,473,682 | 742,054,674 |
| | | | | | | | 725,338,085 |

5. INVESTMENT PROPERTIES

The movement during the period / year were as follows:

| | 30 June 2017 (Reviewed) | 31 December 2016 (Audited) |
|------------------------------------------------|----------------------------------------|----------------------------------|
| Cost | | |
| As at 1 January | 623,957,249 | 624,335,058 |
| Write off | - | (377,809) |
| Balance at the end of the period / year | <u>623,957,249</u> | <u>623,957,249</u> |
| Accumulated depreciation | | |
| Balance at the beginning of the period / year | 58,638,747 | 45,317,853 |
| Depreciation | 9,607,930 | 13,320,894 |
| Balance at the end of the period / year | <u>68,246,677</u> | <u>58,638,747</u> |
| Net book value at the end of the period / year | <u>555,710,572</u> | <u>565,318,502</u> |

Investment properties comprise 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. The valuation is based on transaction for the similar asset in the same locality.

Investment properties amounting to QR 90.3 million (2016: QR 90.3 million) of the group are mortgaged against Islamic financing facility (Note 11).

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

- a) Available-for-sale financial assets comprise of investment in shares of listed and unlisted companies classified as available for sale financial assets.

| | 30 June 2017 (Reviewed) | 31 December 2016 (Audited) |
|----------------------------------|----------------------------------------|----------------------------------|
| Investment in instruments | | |
| Quoted - Note 6 (b) | <u>36,883,171</u> | <u>23,149,948</u> |

- b) **Investment in quoted equity instruments**

The movement during the period / year were as follows:

| | 30 June 2017 (Reviewed) | 31 December 2016 (Audited) |
|---------------------------------------------------|----------------------------------------|----------------------------------|
| Balance at beginning of the period / year | 23,149,948 | 57,407,710 |
| Additions during the period / year | - | 1,885,763 |
| Disposal during the period / year | (1,368,918) | (8,459,900) |
| Fair value adjustments | 15,102,141 | (310,636) |
| Allowance for impairment during the period / year | - | (27,372,989) |
| Balance at the end of the period / year | <u>36,883,171</u> | <u>23,149,948</u> |

7. DUE FROM AND DUE TO GOVERNEMENT OF QATAR**a) Due from Government of Qatar**

| | 30 June 2017 | 31 December 2016 |
|--------------------------------------------------|--------------------------|---------------------|
| | (Reviewed) | (Audited) |
| <i>Compensation due from Government of Qatar</i> | | |
| Balance at beginning of the period / year | 136,352,871 | 146,893,214 |
| Cash received during the period / year | (39,062,694) | (108,977,289) |
| Compensation for subsidized flour | <u>44,369,656</u> | <u>98,436,946</u> |
| Compensation due from Government of Qatar | 141,659,833 | 136,352,871 |
| Loan from Government of Qatar – Note 7 (c) | (59,959,040) | (59,959,040) |
| Net due from Government of Qatar – Note 7 (b) | <u>81,700,793</u> | <u>76,393,831</u> |

b) This includes compensation receivable amounting to QR 68,368,576 (2016: 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 semiannual 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.

d) Due to Government of Qatar

Due to Government of Qatar amounting to QR 47,591,581 as at 30 June 2017 (31 December 2016: 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 has not been agreed with the Government of Qatar, the compensation is considered as long term.

8. 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

The remuneration of directors and members of key management during the period are as follows:

| | For the six month period ended 30 June | |
|-----------------------------|-------------------------------------------|--------------------|
| | 2017 (Reviewed) | 2016 (Reviewed) |
| Key management remuneration | 6,862,319 | 6,297,952 |
| Post - employment benefits | 667,548 | 1,037,772 |
| | <u>7,529,867</u> | <u>7,335,724</u> |

b) Due from related parties

| | 30 June 2017 (Reviewed) | 31 December 2016 (Audited) |
|---------------------------------------|-------------------------------|----------------------------------|
| Dandy Company W.L.L | 2,485,195 | 1,499,993 |
| Seven Brothers Holding Company W.L.L. | - | 157,036 |
| | <u>2,485,195</u> | <u>1,657,029</u> |

c) Due to related parties

| | 30 June 2017 (Reviewed) | 31 December 2016 (Audited) |
|---------------------------------------|-------------------------------|----------------------------------|
| Aayan Leasing Company | 2,159,760 | 6,030,347 |
| MFH Company | 1,099,466 | 11,094,282 |
| Seven Brothers Holding Company W.L.L. | 51,148 | - |
| | <u>3,310,374</u> | <u>17,124,629</u> |

9. CASH AND BANK BALANCES

| | 30 June 2017 (Reviewed) | 31 December 2016 (Audited) |
|---------------|-------------------------------|----------------------------------|
| Cash in hand | 3,530,878 | 2,225,208 |
| Cash at banks | 277,269,014 | 305,136,407 |
| | <u>280,799,892</u> | <u>307,361,615</u> |

10. SHARE CAPITAL

- a) The authorized share capital amounting to QR 215,452,000 as at 30 June 2017 represents 21,545,200 ordinary shares of QR 10 each as follows:

| | 30 June 2017 (Reviewed) | 31 December 2016 (Audited) |
|----------------------------------------------------------------|----------------------------------------|----------------------------------|
| 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> |
| | <u>215,452,000</u> | <u>215,452,000</u> |

- b) Unlisted equity shares 8,464,132 having par value of QR 10 each amounting to QR 84,641,320 as at 30 June 2017 (2016: 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.

11. ISLAMIC FINANCING

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

| | 30 June 2017 (Reviewed) | 31 December 2016 (Audited) |
|---------------------------------|----------------------------------------|----------------------------------|
| Islamic financing - non current | 71,101,768 | 87,581,281 |
| Islamic financing - current | <u>293,320,853</u> | <u>225,587,077</u> |
| | <u>364,422,621</u> | <u>313,168,358</u> |

Islamic financing is secured against corporate guarantee, first degree mortgage over certain investment properties (Note 5), and assignment of rental proceeds from pledged investment properties.

12. OTHER INCOME

| | For the six month period ended 30 June | |
|-----------------------------------------------------|-------------------------------------------|--------------------------|
| | 2017 (Reviewed) | 2016 (Reviewed) |
| Reversal of impairment loss on commodities | 19,526,006 | 24,103,495 |
| Gain on sale of available-for-sale financial assets | 158,253 | 4,508,887 |
| Dividend income | 497,403 | 795,749 |
| Islamic finance income | 3,950,395 | 1,601,155 |
| Others | <u>17,423,689</u> | <u>11,533,053</u> |
| | <u>41,555,746</u> | <u>42,542,339</u> |

13. EARNINGS PER SHARE**a) Basic earnings per share**

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

| | For the six month period ended 30 June | |
|-------------------------------------------------------------|-------------------------------------------|--------------------|
| | 2017 (Reviewed) | 2016 (Reviewed) |
| Profit attributable to ordinary shareholders of the Company | 114,691,378 | 113,715,189 |
| Weighted average number of ordinary shares outstanding | 21,545,200 | 21,545,200 |
| Basic earnings per share | 5.32 | 5.28 |

b) Diluted earnings per share

There were no potentially dilutive shares outstanding at any time during the period. Therefore, the diluted earnings per share is equal to the basic earnings per share.

14. DIVIDEND

During the period, the Company declared and paid cash dividend of QR 4.5 per share totalling to QR 96.95 million (2016: QR 4 per share totalling to QR 86.2 million).

15. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at period end the Group has contingent liability and capital commitments amounting to QR 310.94 million (2016: QR 367.6 million).

16. FAIR VALUES 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 fair value hierarchy into which the fair value measurement are categorized.

During the period ended 30 June 2017, 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.

17. COMPARATIVE FIGURES

The comparative figures for the previous period have been reclassified, where necessary, in order to conform to the current period's presentation. Such reclassifications do not affect the previously reported net profits, net assets or equity.