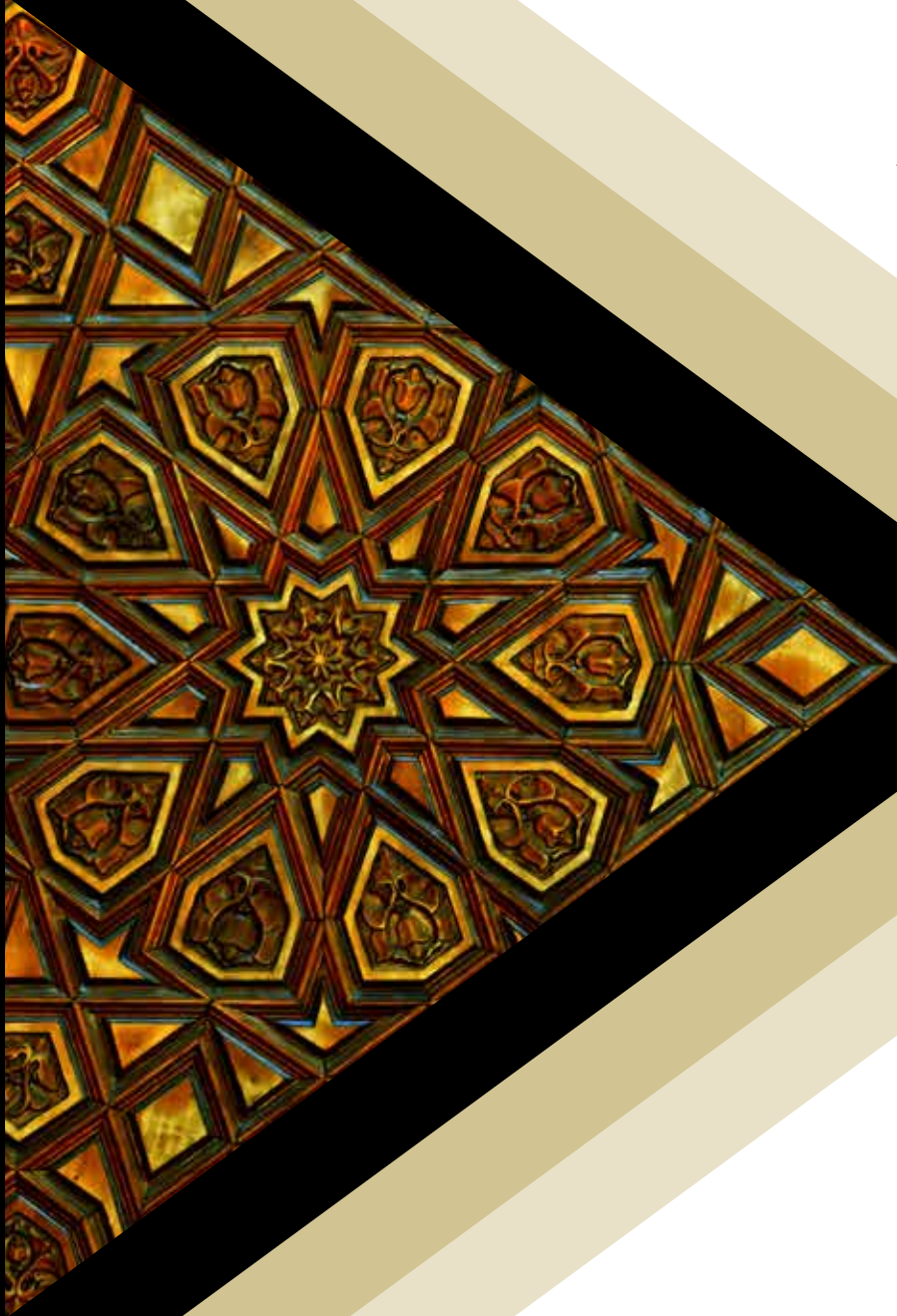




شركة زاد القابضة ش.م.ق.ع.
Zad Holding Company Q.P.S.C.



Annual Report
2019



H.H. Sheikh Tamim bin Hamad Al-Thani

Amir of the State of Qatar

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Leadership

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. Abdulla Ali Al-Ansari

Board Member

Ms. Kaltham Sultan Al-Hajri

Representative of The Ministry of Finance

Mr. Tarique Mohammad

Chief Executive Officer

- 1- Hearing the Board of Directors report on the company performance for the financial year ended 31st December 2019 and the company outlook.
- 2- Hearing the External Auditor's report on the financials of the company for the year ended 31st December 2019.
- 3- Discuss and approve the financial report of the company for the year ended 31st December 2019.
- 4- Approve the recommendation of the Board of Directors to distribute cash dividends of 85% for the financial year 2019.
- 5- Approve the Corporate Governance Report of the year 2019.
- 6- Absolve the Members of Board of Directors from all responsibilities for the financial year ended 31st December 2019, and approve their remunerations.
- 7- Appoint an External Auditor for the financial year 2020 and approve their fees.
- 8- Elect the Board of Directors for a new term 2020 - 2022.



Agenda of the Annual General Meeting

Board of Directors' Report



Sheikh Nasser
bin Mohammad
bin Jabor Al Thani
Chairman

Dear Shareholders,

On behalf of the board of directors, I am pleased to present this report on the performance of the company and the financial results for the year ended 31st December 2019.

The company maintained almost a similar performance compared to the year 2018, as it achieved net profit of QAR 211.15 million in 2019 as against QAR 213.49 million in 2018 and earnings per share (EPS) remained at similar level QAR 0.89 In 2019 as against QAR 0.90 per share In 2018. Further, the company has provided QR 15.22 million for Zakat for the year 2019.

We were able to maintain the performance with our clear long term strategy and with the efficient management team despite a sluggish economic conditions. Our continuous drive for sustainable growth and emphasis on

prudent risk management has helped us in achieving a consistent performance. We proactively implemented and continue to have a comprehensive internal and external efficiency and cost management initiatives, in order to address the challenges of increased cost on supply chain management (in bound and out bound logistics).

We are also pleased to report that in order to continue our growth and to expand our horizon further, the following strategic investments have been completed during 2019:

- Expanded the bakery operations.
- Increased the fleet size of logistics business.

We are very confident that continued efforts of our very capable and visionary management team with comprehensive long term strategy, Zad Holding Company will continue to aspire for sustainable growth and achieve its business objectives.

We would like to express our sincere gratitude and appreciation to HH the Amir 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 Khalid bin Khalifa bin Abdulaziz Al-Thani, the Minister of Finance HE Ali Sherif Al Emadi, and the Minister of Commerce and Industry HE Ali bin Ahmed Al Kawari 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.

Nasser bin Mohammed bin Jabor Al Thani
Chairman of the Board of Directors



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

Report on the Audit of the Consolidated Financial Statements

Qualified opinion

We have audited the accompanying consolidated financial statements of Zad Holding Company Q.P.S.C. (the 'Company') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of income, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects on the consolidated financial statements of the matters described in the basis for qualified opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for qualified opinion

As explained in note 10(b) to the consolidated financial statements, receivable from the Government of State of Qatar as compensation amounting to QR 68,368,576 in respect of subsidized flour sold during earlier years is, as per the provisions of the compensation agreement that was enforced until 13 December 2007. The quantification of the claim in respect of subsidized flour is still under discussion with the Government of State of Qatar. We have been unable to obtain assurance that this amount will be recovered in full. Further, as detailed in note 10(c) the Government of State of Qatar's loan of QR 59,959,040 has been netted off against the amount due in respect of the subsidies to arrive at the net outstanding balance due from the Government of State of Qatar. The Group has been unable to demonstrate to us that the "right of set off" exists. Referring to the current status as described in Note 14, we have been unable to obtain assurance that the set off is appropriate.

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

Other matter

The financial statements of the Group as of 31 December 2018 were audited by another auditor whose report Dated 30 March 2019 expressed a qualified opinion on those financial statements.

Key audit matters

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

Description of the key audit matter	How the matter was addressed in our audit
<p><u>Depreciation and impairment of investment properties</u> - Refer notes 3 and 7 in the consolidated financial statements</p> <p><i>We focused on this area because:</i></p> <ul style="list-style-type: none"> Investment properties with a carrying value of QR 535,894,689 represent 25% of the Group's total assets as at 31 December 2019, and form a material portion of the consolidated statement of financial position. The Group makes judgments over estimation of the useful life of investment properties and assessment of indicators of impairment. 	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> Evaluating the key controls related to investment properties including the controls over the base data used in the estimation of useful life. Evaluating the recognition criteria applied to the costs incurred and capitalized during the financial year against the requirements of the relevant accounting standards. Assessing the depreciation method used and the appropriateness of the key assumptions based on our knowledge of the industry. Recalculation of the depreciation charges and comparison with the actual depreciation charges for the year. Critically challenging the Group's assessment of possible internal (physical damages) and external (decline in value) indications of impairment in relation to the investment properties including the comparison with fair value determined by independent valuer.
<p><u>Compensation from Government of State of Qatar for sale of subsidized flour</u> - Refer note 10(a) in the consolidated financial statements</p> <p><i>We focused on this area because:</i></p> <ul style="list-style-type: none"> For the year ended 31 December 2019, compensation from Government of State of Qatar amounted to QR 108,042,890 which is a material amount for the purposes of our audit. 	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> Evaluating the key controls in sales process including the progress claim certification and the approval process. Inspecting the compensation contract and discussing with the Group to obtain full understanding of the specific terms and risk.
<p>Description of the key audit matter</p> <ul style="list-style-type: none"> The Group's business involves selling flour in local market at subsidized rates as agreed with the Government of State of Qatar. In return, Government of State of Qatar compensates the Group with a pre agreed rate of subsidy in respect of the amount of flour sold in the local market. Due to the nature of the business, determination of subsidy involves judgement keeping in view various types of flour and the clauses of the subsidy agreement. 	<p>How the matter was addressed in our audit</p> <ul style="list-style-type: none"> Challenging the Group in respect of the reasonableness of estimates made regarding the compensation. Evaluating the adequacy of the Group's disclosure in relation to compensation from Government of State of Qatar by reference to the requirements of the relevant accounting standards.

Continued...

Description of the key audit matter	How the matter was addressed in our audit
<p><u>Impairment assessment of goodwill</u> - Refer notes 2, 3 and 9 in the consolidated financial statements</p> <p><i>We focused on this area because:</i></p> <ul style="list-style-type: none"> As at 31 December 2019, the Group's consolidated financial statements include recognised goodwill of QR 19,704,770 which is a material amount for the purposes of our audit. An assessment is required annually to establish whether this goodwill should continue to be recognized, or if any impairment is required. The impairment assessment relies on determining the recoverable amount of the investment in the subsidiary using valuation techniques such as discounted cash flows. The estimation of future cash flows and the rate at which they are discounted is inherently uncertain and requires the use of estimates and judgments. 	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> Testing of the Group's budgeting procedures upon which the forecasts are based. Involving our own valuation specialists to assist us in: <ul style="list-style-type: none"> evaluating the appropriateness of the methodology used by the Group to assess impairment of goodwill; Evaluating key inputs and assumptions in cash flow projections used by the Group in comparison to externally derived data as well as our own assessments of investee specific circumstances and experience in the related industry, in particular its derivation of discount rates, terminal growth rates and comparing progress against stated business plans. Evaluating the adequacy of the disclosure in the consolidated financial statements including disclosures of key assumptions and judgments.
<p><u>IFRS 9 "Financial Instruments"</u> - Refer notes and in the consolidated financial statements</p> <p>We focused on this area because IFRS 9 "Financial Instruments" requires complex accounting treatments, including use of significant estimates and judgments.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> Evaluating the appropriateness of the selection of accounting policies. Evaluating management's process for selection of the "expected credit loss" methodology. Considering management's processes and controls implemented to ensure the completeness and accuracy of the transition adjustments. Identifying and testing relevant controls. Evaluating the reasonableness of management's key judgement and estimates made in preparing the transition adjustments, specifically relating to the adjustment for the forward looking factor.

Description of the key audit matter	How the matter was addressed in our audit
<p>Transition to IFRS 16 Leases - Refer notes 2, 3 and 6 in the consolidated financial statements The Group implemented IFRS 16 Leases,</p> <p>The impact of IFRS 16 as at 1-Jan-2019 is disclosed in note 2 to the financial statements. A number of judgments have been applied and estimates made in determining the impact of the standard.</p> <p>In order to compute the transition impact of IFRS 16, a significant data extraction exercise was undertaken by management to summarize all property and equipment lease data such that the respective inputs could be uploaded into management's model The incremental borrowing rate ("IBR") method has been adopted where the implicit rate of interest in a lease is not readily determinable.</p> <p>Our key audit matter was focused on the following areas of risk:</p> <ul style="list-style-type: none"> Leasing arrangements within the scope of IFRS 16 are not identified or appropriately included in the calculation of the transitional impact; Specific assumptions applied to determine the discount rates for each lease are inappropriate; The underlying lease data used to calculate the transitional impact is incomplete and/or inaccurate, the mechanical accuracy of lease calculations is flawed and the disclosures in the financial statements are insufficient, precluding investors from obtaining a clear understanding as to the transitional impact of the change in accounting standard. 	<p>In responding to the identified key audit matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"> Assessed the design and implementation of key controls pertaining to the determination of the IFRS 16 transition impact disclosures Assessed the appropriateness of the discount rates applied in determining lease liabilities with input from our valuation specialists Verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contract or other supporting information, and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment.

Other information

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent Auditor's Report

When we read the remaining sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Responsibilities of the Board of Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. Furthermore, the physical count of inventories was carried out in accordance with established principles. We have read the report of the Board of Directors to be included in the annual report, and the financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Articles of Association and any amendments thereto having occurred during the year which might have had a material effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2019.

Kuriachan V Kuriakose

Morison and Kuriachan Kuriakose Chartered Accountants

(Formerly known as Morison Menon Chartered Accountants and Partners)

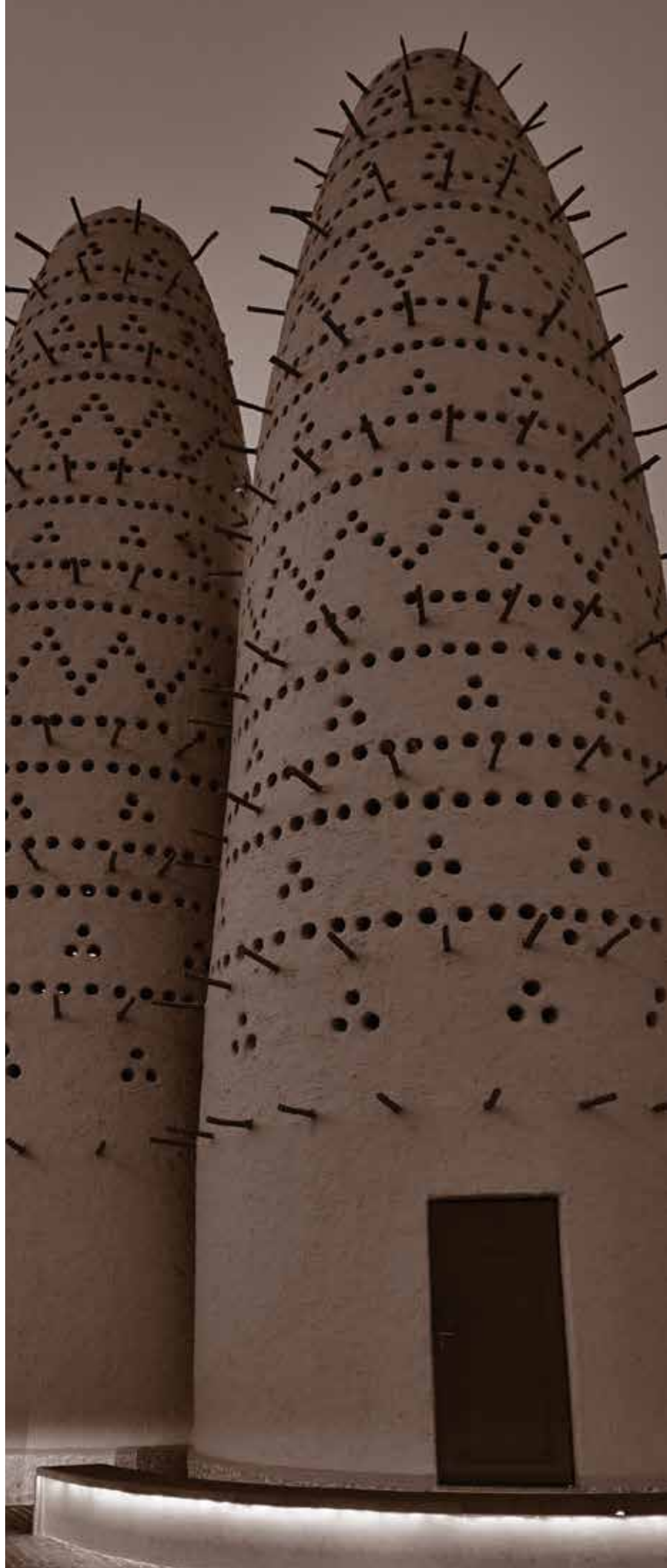
Qatar Auditors Registry Number : 254

Licensed by QFMA:

External Auditor's License No. 120178

11 March 2020

Doha, State of Qatar



Consolidated
Statement of
Financial Position
as at Dec. 31,
2019

ASSETS	2019 (QR.)	2018 (QR.)
Non-current assets		
Property, plant and equipment	303,011,738	336,857,738
Right of use assets	47,669,468	38,725,922
Investment property	535,894,689	539,616,481
Investment securities	1,523,256	1,715,499
Retention and other receivables	11,915,042	1,604,080
Goodwill	19,704,770	19,704,770
TOTAL NON-CURRENT ASSETS	919,718,963	938,224,490
Current assets		
Due from Government of Qatar	78,840,635	78,177,126
Due from related parties	16,554,914	14,058,183
Inventories	121,477,744	120,635,696
Accounts, retention and other receivables	375,716,561	409,036,135
Investment in commodities	543,876,259	383,337,018
Cash and bank balances	85,890,476	124,758,851
Total current assets	1,222,356,589	1,130,003,009
Total assets	2,142,075,552	2,068,227,499

Continued...

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SHAREHOLDERS' EQUITY AND LIABILITIES	2019 (QR.)	2018 (QR.)
EQUITY AND LIABILITIES		
Equity		
Share capital	236,997,200	236,997,200
Legal reserve	563,120,753	563,120,753
Capital reserve	15,000,000	15,000,000
Retained earnings	722,920,086	718,494,333
TOTAL EQUITY	1,538,038,039	1,533,612,286
Non - current liabilities		
Other non-current liabilities	30,290,921	26,450,786
Lease liability	8,412,497	-
Due to Government of Qatar	47,591,581	47,591,581
Islamic financing - non current	-	21,555,283
TOTAL NON-CURRENT LIABILITIES	86,294,999	95,597,650
Current liabilities		
Accounts payable, retention and other payables	224,737,153	240,320,304
Lease liability	2,947,207	-
Due to related parties	4,846,449	6,276,904
Islamic financing - current	285,211,705	192,420,355
TOTAL CURRENT LIABILITIES	517,742,514	439,017,563
TOTAL LIABILITIES	604,037,513	534,615,213
TOTAL EQUITY AND LIABILITIES	2,142,075,552	2,068,227,499

Consolidated
Statement of
Financial Position
as at Dec. 31,
2019

Consolidated
Statement
of Income for the
year ended
Dec. 31,
2019

	2019 (QR.)	2018 (QR.)
Operating revenue	1,274,721,059	1,165,480,865
Compensation from Government of Qatar for sale of subsidized flour	108,042,890	103,470,862
TOTAL REVENUE	1,382,763,949	1,268,951,727
Operating cost	(1,075,476,899)	(981,853,595)
GROSS PROFIT	307,287,050	287,098,132
Other income	63,333,038	60,084,489
General and administrative expenses	(84,961,982)	(84,736,076)
Selling and Distribution expenses	(67,138,678)	(63,538,010)
Net impairment reversal / (loss) on financial assets	16,791,629	41,831,171
Finance costs	(8,663,216)	(12,347,794)
Tax Expense	(268,574)	-
Zakat contribution	(15,227,090)	(14,905,656)
PROFIT	211,152,177	213,486,256
Basic earnings per share (QR) (2018 Adjusted)	0.89	0.90

	2019	2018
	(QR.)	(QR.)
PROFIT	211,152,177	213,486,256
OTHER COMPREHENSIVE INCOME		
Total other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	211,152,177	213,486,256

Consolidated
Statement of
Profit or Loss and
other Comprehensive
Income for the
year ended
Dec. 31,
2019

Consolidated
Statement of
Changes in
Shareholders'
Equity for the
year ended
Dec. 31,
2019

	Share Capital (QR.)	Legal Reserve (QR.)	Capital Reserve (QR.)	Fair Value Reserve (QR.)	Retained Earnings (QR.)	Total (QR.)
Balance at 1 January 2018	215,452,000	563,120,753	15,000,000	5,197,879	721,529,233	1,520,299,865
Adjustments on initial application of IFRS 9 (note 2)	-	-	-	(5,197,879)	(49,595,000)	(54,792,879)
Adjusted balance at 1 January 2018	215,452,000	563,120,753	15,000,000	-	671,934,233	1,465,506,986
PROFIT	-	-	-	-	213,486,256	213,486,256
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	-	-	-	-	213,486,256	213,486,256
Contribution to social and sports fund (i)	-	-	-	-	(5,337,156)	(5,337,156)
Issue of Bonus Shares	21,545,200	-	-	-	(21,545,200)	-
Dividends	-	-	-	-	(140,043,800)	(140,043,800)
BALANCE AT 31 DECEMBER 2018	236,997,200	563,120,753	15,000,000	-	718,494,333	1,533,612,286
BALANCE AT 1 JANUARY 2019	236,997,200	563,120,753	15,000,000	-	718,494,333	1,533,612,286
TOTAL COMPREHENSIVE INCOME						
Profit	-	-	-	-	211,152,177	211,152,177
Total comprehensive income	-	-	-	-	211,152,177	211,152,177
Contribution to social and sports fund (i)	-	-	-	-	(5,278,804)	(5,278,804)
Dividends	-	-	-	-	(201,447,620)	(201,447,620)
BALANCE AT 31 DECEMBER 2019	236,997,200	563,120,753	15,000,000	-	722,920,086	1,538,038,039

(i) Pursuant to Law No. 13 of 2008, the Group made an appropriation of QR 5,278,804 (2018: QR 5,337,156) from retained earnings for its contribution to the Social and Sports Activities Support Fund ("Daam") of Qatar. This amount represents 2.5% of the net profit for the year ended 31 December 2019.

The Group has initially applied IFRS 16 at 1 January 2019. Under modified retrospective approach being transition the methods chosen, comparative information is not restated.

CASH FLOWS FROM OPERATING ACTIVITIES	2019 (QR.)	2018 (QR.)
Profit	211,152,177	213,486,256
Adjustments for:		
Provision for slow moving inventories	183,697	495,016
Provision for doubtful receivables	366,866	2,361,623
Profit on disposal of precious commodities	(20,475,283)	(2,002,903)
Depreciation on property, plant and equipment	60,030,492	70,776,304
Depreciation on Right To Use Assets	5,422,985	-
Depreciation on investment property	3,721,792	10,700,076
Gain on disposal of property, plant and equipment	-	(37,442,756)
Finance costs	8,663,216	12,347,794
Tax provision	268,574	-
Employees' end of service benefits	5,846,193	5,742,392
Capital work in progress written off	1,581,008	-
Zakat Contribution	15,227,090	14,905,656
Reversal of provision for doubtful receivables	(22,635,798)	(44,192,794)
Dividend income	(682,979)	(208,444)
Islamic finance income	(603,243)	(1,816,135)
Gain on disposal of investment securities	5,285,062	(1,841,758)
	273,351,849	243,310,327
CHANGE IN:		
-Inventories	(1,025,745)	(28,853,727)
-Contract work in progress	-	400,628
-Due from and due to Government of Qatar (net)	(663,509)	5,466,239
-Accounts, retentions and other receivables	50,777,542	12,323,644
-Due from and to related parties (net)	(3,927,186)	(12,729,544)
-Accounts payable, retention and other payables	(27,106,792)	(26,906,244)
CASH GENERATED FROM OPERATING ACTIVITIES	291,406,159	193,011,323
Employees' end of service benefits paid	(2,126,439)	(5,459,752)
Zakat paid	(13,600,000)	(14,849,180)
Finance costs paid	(6,384,417)	(11,998,118)
NET CASH FROM OPERATING ACTIVITIES	269,295,303	160,704,273

Consolidated
Statement of Cash
Flows for the year
ended Dec. 31,
2019

Continued...

Consolidated
Statement of
Cash Flows for the
year ended
Dec. 31, 2019

Continued...

CASH FLOWS FROM INVESTING ACTIVITIES	2019	2018
	(QR.)	(QR.)
Acquisition of property, plant and equipment	(31,151,336)	(80,806,091)
Proceeds from disposal of property, plant and equipment	3,385,837	55,749,847
Proceeds from disposal of investment securities	23,168,790	20,199,952
Acquisition of AFS Shares	(28,453,852)	-
Dividend income received	682,979	208,444
Net Proceeds on purchase of commodities	(140,063,958)	554,559
Islamic finance income received	659,011	3,569,783
NET CASH USED IN INVESTING ACTIVITIES	(171,772,529)	(523,506)
Cash flows from financing activities		
Net movement in Islamic financing	71,236,067	(164,292,965)
Lease liability paid	(3,491,724)	-
Repayment of loan	(5,500,000)	
Dividends paid	(198,635,492)	(139,775,545)
NET CASH USED IN FINANCING ACTIVITIES	(136,391,149)	(304,068,510)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(38,868,375)	(143,887,743)
Cash and cash equivalents at beginning of the year	124,758,851	268,646,594
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	85,890,476	124,758,851



شركة زاد القابضة
Zad Holding Company O.P.C.

The Management
Report on The
Company Governance
for the Year 2019

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Chairman’s message on corporate governance practices:

Zad Holding Company (Zad) considers effective corporate governance as an important part of its identity. Therefore, the Board of Directors play an active role in the management of the company via a set of systems and procedures that the Board constantly prepares and reviews. The most important of which is the Governance Chart and the Board of Directors’ chart.

The Board is committed to establishing high standards of governance in line with regulations, guidelines and best practices. The guiding framework for these regulations and standards is established in accordance with the Qatar Commercial Companies Law No. 11 of 2015 and the Corporate Governance Code issued by the Qatar Financial Markets Authority in addition to other laws and regulations in force in the State of Qatar.

This Corporate Governance Report highlights the main components of the corporate governance system, the manner in which it was designed and what the company did to apply best management practices during the reporting period, fiscal year ending December 31st, 2019.

During the reporting period, the Board of Directors approved a Corporate Governance Chart after the amendment of its predecessor in line with the articles of the Corporate Governance Code for legal entities listed in the main market issued by the decision of the Board of Directors of the Qatar Financial Markets Authority No. 5 of 2016, the amended Governance chart was approved by the Board in their meeting held on December 28, 2019.

Nasser bin Mohammed bin Jabor Al-Thani

Chairman of the Board

(To view the Corporate Governance Chart, please visit our website at www.zad.qa).

i. Company Structure:

Zad Holding Company is a Qatari Public Shareholding Company that practices all the activities stipulated in Article 267 of the Commercial Companies Law No. 11 of 2015 for holding companies. The company’s activities in its Articles of Association are:

- 1- Participating in the management of its subsidiaries or companies in which it invests.
- 2- Investing its funds in shares, bonds and securities.
- 3- Providing the necessary support for its subsidiaries.
- 4- Owning intellectual property rights, including

patent rights, trademarks, industrial models, royalties and other moral rights, and utilizing or licensing them for the subsidiaries or third parties whether inside or outside the State of Qatar.

- 5- Owning movables and real estate required for carrying out its business within the limits permitted by law.

A brief overview of the current structure of Zad and ownership in its subsidiaries (the group) is presented below.



ii. Shareholders:

1- Shareholding Structure:

The authorized and paid-up capital of Zad is 236,997,200 QR divided into 236,997,200 shares.

During the review period Zad has completed the process of listing the shares issued from the acquisition of MEEDA Projects Company to be traded in the Qatar Stock Exchange and the listing was completed on December 26, 2019.

The company’s Articles of Association stipulate that the maximum number of shares held by one shareholder must not exceed 15% of the company’s total share capital. During the reporting period, to the knowledge of the company, none of the shareholders exceed the stated limit.

Zad continues to rely on Qatar Stock Exchange and Qatar Central Securities Depository Company to obtain a valid record of its shareholders.

2- Shareholders’ Rights:

Creating value for the shareholders and protecting it

is a priority for the Board of Directors of Zad and its management team. Therefore, the company sets its strategies and carries out all its activities in the interest of its shareholders.

Zad values and respects the rights of its shareholders. To ensure the protection of shareholders' rights at all times, specific provisions have been included in the company's Articles of Association. This includes, equal treatment of shareholders, holding Annual General Meetings (AGM), disclosing the agenda of the AGMs to shareholders, the right to vote, the right to elect the Board of Directors, the right to dividends, the right to access all the information of the company and reserve decision making rights for all major matters to the AGM.

As resolved by the Extraordinary General Meeting (EGM) held on 24 April 2019, Zad amended its Articles of Association to increase the limit of non-Qatari shareholding to 49% of the total capital. It also adjusted the nominal value of its shares to one Qatari Riyal.

3- Investor Relations Department:

Zad has had an independent Investor Relations Department since 2008. The IR Department was formed to proactively communicate with the company's shareholders, potential investors, analysts and regulatory authorities and apply the best practices in the field of IR.

Zad has a section on its website dedicated to Investor Relations. It publishes its financials, Charts, information about its Board, news and presentations for investors that includes analysis about its financials. It also holds conferences calls with investors to discuss the financial reports, performance of the company and address their inquiries after the disclosure of its annual, semi-annual and quarterly reports.

During the reporting period, the company fully complied with the requirements of the Investor Relations Rules issued by Qatar Stock Exchange.

4- The Ordinary Annual General Meeting (AGM):

During the review period Zad held an AGM on April 24, 2019 and resolved the following:

1. Approved the company's annual financial report for the year ended 31 Dec 2018.
2. Approved the distribution of cash dividends of 85% of the nominal value of the share for the year 2018.
3. Approved the management report on the company governance during 2018.
4. Resolved the members of the Board of Directors from liability for the fiscal year 2018 and approved their remuneration.
5. Appointed Morison & Kuriachan Kuriakose Chartered Accountants (Formerly known as Morison Menon Chartered Accountants &

Partners) as the external auditor for the year 2019.

5- The Extraordinary General Meeting (EGM):

The EGM was also held on the same date of the AGM, and resolved the following:

1. Amending the Articles of Association of the company by adjusting the nominal value of the share to one Qatari Riyal.
2. Amending the Articles of Association of the company by increasing the limit of non-Qatari shareholding to 49% of the company's capital.
3. Amending Article 69 of the Articles of Association with regards to the Zakat payment method.
4. Amending paragraph 3 of Article 25 to change the number of shares required for the membership of the Board to be 1,000,000 (One Million) shares.
5. Authorizing the Board of Directors to make the necessary amendments to the Articles of Association in accordance with the EGM resolutions.

The amendments to the Articles of Association according to the decisions of the EGM were made during the year reviewed in the report.

iii. Board of Directors:

1- Duties of the Board of Directors:

The Board of Directors is the highest administrative body in Zad and exercises its duties and responsibilities as stipulated in the company's Articles of Association and Governance Chart. The Board works on the basis of clear information and in good faith for the benefit of the shareholders, the company and its subsidiaries. The board supports the administrative structure, carries out the activities & goals of the company, executes the recommendations of the external auditors on behalf of shareholders and makes initiatives that enhance the performance of the company.

The Articles of Association details the duties and responsibilities of the Board of Directors, the Board also prepared a chart called the "Board of Directors Chart".

2- Formation of the Board of Directors:

According to the Articles of Association, the Board of Directors must consist of 9 members who are elected via secret ballot by the AGM for a period of three consecutive years.

The current Board of Directors consists of 9 members elected by the company's shareholders at the AGM held on April 24, 2017. In addition to that, a representative has been appointed by the Ministry of Finance to represent the ministry in matters related to the government with the company. There has been no change to the current Board of Directors since their appointment.

Current Board of Directors:

Name of Director	Designation	Executive/ Non-exe.	Independent/ Non-Indep.
Sheikh Nasser Mohammad Jabor Al Thani	Chairman	Non-exe.	Non-Indep.
Sheikh Talal Mohammad Jabor Al Thani	Vice-Chairman	Executive	Non-Indep.
Sheikh Nawaf Mohammad Jabor Al Thani	Managing Director	Executive	Non-Indep.
Mr. Ali Eskander Al Ansari	Director	Non-exe.	Independent
Mr. Saud Omar Hamad Al Mana	Director	Non-exe.	Independent
Sheikh Jabor Mohammad Hassan Al Thani	Director	Non-exe.	Independent
Mr. Abdulla Ali Al Ansari	Director	Non-exe.	Independent
Sheikh Thamer Mohammad Jabor Al Thani	Director	Non-exe.	Non-Indep.
Sheikh Mansor Mohammad Jabor Al Thani	Director	Non-exe.	Non-Indep.

3- Board of Directors Chart:

In line with the duties and responsibilities of the Board of Directors stipulated in the Articles of Association, the Board has prepared the "Board of Directors Chart" detailing their duties and responsibilities, terms of membership and work mechanism of the Board and the Board committees. The BOD has approved a revised chart according to the provisions of the Corporate Governance Code issued by the Qatar Financial Markets Authority (QFMA).

(To review the Board of Directors' Chart, please visit Zad's website at www.zad.qa).

4- Chairman of the Board of Directors:

According to Article 30 of the company's Articles of Association, the chairman of the Board is the president of the company, represents it before others and before the judiciary bodies, implements

the decisions of the Board and adheres to its recommendations. In addition to his duties stipulated in the Commercial Companies Law and the Corporate Governance Code.

The Board of Directors' Chart also contains the duties and responsibilities assigned to the position of Chairman in Zad.

There is a clear separation between the position of the Chairman and CEO in Zad, thus Mr. Tarique Mohammad holds the position of CEO of the company in compliance with this principle of separation, and the Chairman of the Board of Directors is also prohibited from performing any executive duties in the company.

5- Board Committees:

During the reporting period, the Board restructured its committees and approved the committees' duties and responsibilities in accordance with the Governance Chart as stated below:

a) Nomination and Remuneration Committee:

1	Sheikh Mansor bin Mohammed bin Jabor Al Thani	Head
2	Sheikh Jabor bin Mohammad bin Hassan Al-Abdullah Al-Thani	Member
3	Sheikh Thamer bin Mohammed bin Jabor Al Thani	Member

b) Audit Committee:

1	Mr. Abdullah Ali Al-Ansari	Head
2	Sheikh Talal bin Mohammed bin Jabor Al Thani	Member
3	Sheikh Jabor bin Mohammad bin Hassan Al-Abdullah Al-Thani	Member

Each committees determined its framework which was approved by the Board and then published on the company's website.

(To view the Board of Directors' Committees, please visit Zad's website www.zad.qa)

6- BOD Meetings:

During the year reviewed in this report, the Board of Directors held 6 periodic meetings in which the Board reviewed the company's financial performance, approved its strategies and budgets, also reviewed the company's future strategic plans and issued a number of decisions and recommendations to execute.

7- Board Committees Meetings and Performance:

The Audit Committee held 6 meetings during the fiscal year in which it prepared its internal bylaw that organize its work, reviewed and prepared a number of internal control systems, reviewed the reports of the company's internal audit function and put its recommendations and observations thereon, reviewed the offers received from External Auditors to carry out audits for the fiscal year 2019, reviewed the quarterly financial reports and presented to the Board of Directors for discussion and approval.

The Nominations and Remunerations Committee held two meetings during the fiscal year in which it prepared its internal bylaw to determine the mechanisms of its work, review the performance of the Board of Directors and presented its recommendations regarding the remuneration of the Board for the year 2018.

8- Combining Positions:

Zad Board members are committed not to combine positions that are prohibited by law. All members provided a written declaration to the Board Secretary that they had not combined any of the positions during the reporting period as mandated by the BOD Chart.

9- Best practices of governance:

The Board is fully aware of the laws and regulations of governance and always strives to follow best practices in this regards in terms of applying the principle of equality between stakeholders, transparency, putting the company's interest before their personal interests, disclosure of material information that enables investors to take the appropriate decisions and provide the best work environment for the company's employees.

The executive management also keeps all members aware of any changes in the governing laws and regulations, in addition to holding training sessions to increase the knowledge level of the members of the Board whenever required, and orientation

programs for new members.

10- The Board Secretary:

The Board of Directors has a secretary appointed by the Board. His services may only be terminated with a decision issued by the Board of Directors.

Zad Board of Directors' Secretary was appointed in February 2008 and his appointment letter was signed by the Vice-Chairman and Managing Director.

The Board secretary takes and keeps minutes of Board meetings, the members' attendance and any reservations that are discussed during these meetings. As the Secretary of the Board and under the supervision of the Chairman, he ensures proper delivery and distribution of meeting invites, agenda, information and coordinates among the members and other stakeholders of the company, including shareholders, management and employees. He also ensures that Board members have full and quick access to all Board meeting minutes, information, documents and records relating to the company and performs additional duties as head of the Investor Relations Department.

iv. Internal Control:

The Board of Directors is responsible for the company's internal control systems. The senior management in Zad hold regular meetings to review the performance of the company and its subsidiaries.

In addition, Zad prepares a detailed business plan for each of its subsidiaries, and monitors the performance of all of its subsidiaries in line with those business plans and provide the necessary support and guidance whenever required.

Zad conducts all of its business according to specific internal policies and regulations that ensure all its departments, employees and subsidiaries adhere to the best practices and comply with all standards and regulations stipulated in relevant laws in the State of Qatar while capitalizing on the usages of modern technology in its business requirements.

Zad exercises a firm principle with Joint signature to approve payments and commercial transactions. It also established central functions in relation to treasury, information technology, human resources, legal affairs, public relations and procurement for all companies in the group.

Central financial functions and treasury, provide oversight over subsidiaries and control of risk factors and internal controls. The company also relies on external auditors to provide an

independent opinion on the company's financial statements and the internal control system.

1- Internal Audit:

Zad has formed a separate, independent and effective function that carries out the tasks of internal auditing, risk management, assess the company's commitment to best practices in its financial dealings and transactions with related parties and submits its periodic reports to the Board of Directors on these aspects. It has the right to access, at all times, all information related to any of the subsidiaries, departments or employees to be able to carry out the duties assigned to it.

The Internal Audit Department and its employees enjoy complete independence and absolute authority in relation to its duties. It also submits its reports, proposals and observations to the Audit Committee of the Board.

v. Risk Management:

The Board of Directors has overall control and responsibility for risk management. To continue enhancing risk management practices and ensure a comprehensive assessment of the business risks, and besides the Internal Audit Department's involvement in risk management, Zad has established a committee consisting of members of executive management for risk management.

That committee meets regularly to evaluate and put mitigation plans of risk factors being faced by the company wither general risks such as natural, social, economical, political risks or risks related to the nature of the company's activities in particular.

All subsidiaries assess their own business risks related to their activities and develop their strategy under the supervision of the Risk Management Committee of Zad.

vi. External Audit:

Zad relies on external auditors registered in the auditors' ledger at the Ministry of Commerce and Industry and Qatar Financial Market Authority to carry out audits and reviews on the company's business and practices in accordance with the relevant laws and regulations and provide an independent opinion. The external auditor is appointed for each financial year by the AGM.

The AGM held on April 24, 2019 appointed Morison & Kuriachan Kuriakose Chartered Accountants (Formerly known as Morison Menon Chartered Accountants & Partners) as auditor for the fiscal year 2019.

The external auditors provide semi-annual reviews and an annual audits. In addition to that they submit an independent annual report to the shareholders on all matters related to internal control and performance evaluation practices, especially the following:

- 1- The suitability and effectiveness of the company's internal control systems.
- 2- The company's ability to continue its activities and meet its obligations. This shall be evaluated independently of what the Board reports.
- 3- The Company's compliance to develop internal policies and procedures, and the suitability of these procedures with the Company's status, as well as its commitment to implementing them.
- 4- The Company's compliance with its Articles of Associations, the provisions of the Law and QFMA's relevant legislations, including the Corporate Governance Code.
- 5- The Company's compliance in implementing best international standards in auditing and the financial reporting as well as its compliance with international audit and accounting standards (IFRS / IAS) and (ISA) and their requirements.
- 6- The company's cooperation in enabling them to access the information necessary to complete their review.

vii. Related Party Transactions:

Zad complies with all laws & regulations related to transactions with related parties. Zad identifies these transactions whenever they take place, register them and disclose them accordingly. All related party transactions during the year reviewed have been disclosed in the financial report of 2019 in note number 11.

The company's internal policies require that related parties disclose any transactions or dealings that may be conducted with the company before entering into them, as well as putting forth the company's interest in those deals while providing the best offers/terms to the company. In case of failure, the party shall be in violation of the company's policy.

In all cases, all transactions that the company conducts with others are in the best interest of the company. Likewise, all the deals made are based on competitive prices, purely on commercial basis and do not include conditions that conflicts with the company's interest.

viii. Insider Trading:

Zad has clear guidelines for insider trading and discloses relevant information in accordance with the Qatar Commercial Companies Law, the regulations of Qatar Financial Markets Authority and Qatar Stock Exchange.

With regard to the insider trading of the company's shares, Zad provides QFMA with an updated list of their names and information on an ongoing basis. The company also circulates to the Board members and insiders the periods when their trading of the company's shares directly or indirectly is prohibiting according to what is stipulated in the governing regulations.

ix. Dividend policy:

The dividend payment process is subject to a recommendation from the Board of Directors and approval of the AGM according to the company's Dividends Policy. The Board recommends the dividends distribution to the AGM after the consideration of the company's requirements.

The Board of Directors has recommended a cash dividend of 85% for the year 2019 to be approved by the AGM scheduled for 13 May 2020.

x. Remunerations Policy:

According to Article 36 of the Articles of Association, the directors' remuneration is set based on the following:

- Board remuneration should not exceed 5% of the net profits after deducting the reserves and legal deductions and distributing no less than 5% of the capital as dividends to the shareholders.

The Nominations and Remunerations Committee submits a recommendation to the Board of Directors for the remuneration of the Board, and the Board recommends to the AGM for approval. The Board of Directors also determines the salary and bonuses of the CEO. The CEO, in coordination with the Board, determines and approves the salaries and benefits of the senior management and employees of the company.

Zad discloses all compensation paid to the members of the Board of Directors and any payments or salaries received by the Chairman, Vice-chairman, Board members or the CEO as part of the related parties' disclosures in the financial statements of the company.

xi. Policies and Procedures:

Zad has a set of policies and procedures that regulate its functions and the company works continuously to review and update those policies in accordance with the laws and regulations and in way that enhances its performance. Some of these policies are as follows:

- 1- Corporate Governance Chart.
- 2- Board of Directors' Chart.
- 3- Board Committees framework.
- 4- Financial policies.
- 5- Human Resources Policies.
- 6- Standard Operating Procedures.

xii. Compliance and Control of Improvements:

The regulatory environment in Qatar is subject to changes from time to time. Zad monitors regulatory changes and continues to comply with all governing laws & regulations and their amendments. In addition, Zad maintains an open and constructive dialogue with regulatory authorities for further improvement. Wherever the Board and senior management identify gaps in governance practices, corrective measures are taken immediate bases.

1- Grievances and complaints:

During the review period, no grievances or complaints related to the application of the principles of governance were received by the board. The Board of Directors has specific procedures in dealing with them if any grievances or complaints are received.

2- Disclosure requirements:

During the review period, the company disclosed all material information and events as mandated by the regulating laws.

3- Compliance:

During the review period, the company has complied with all regulatory and legal requirements. The company has not been subject to any violations or fines imposed by regulatory bodies due to non-compliance with laws and regulations.

4- Conflicts and Legal Disputes:

During the review period, the company has not been a party in any significant dispute, litigation or lawsuit except as disclosed in the financial statement, and audit report qualification.

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