

**BALADNA Q.P.S.C.**  
**AL KHOR, QATAR**

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**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REVIEW REPORT  
FOR THE PERIOD FROM 2 DECEMBER 2019  
(ESTABLISHMENT DATE) TO 30 SEPTEMBER 2020**



**MOORE**

مورستيفنز وشركاه - محاسبون قانونيون

Moore Stephens and Partners

Certified Public Accountants

An Independent Member Firm of Moore Global Network Limited

# **BALADNA Q.P.S.C.**

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## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT FOR THE PERIOD FROM 2 DECEMBER 2019 (ESTABLISHMENT DATE) TO 30 SEPTEMBER 2020**

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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the Shareholders  
Baladna Q.P.S.C.  
Al Khor, State of Qatar

### Introduction

We have reviewed the accompanying interim condensed consolidated financial statement of Baladna Q.P.S.C. (the "Company") and its subsidiaries (together the "Group") as at 30 September 2020, comprising of the interim condensed consolidated statement of financial position as at 30 September 2020 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the period from 2 December 2019 (the "Establishment Date") to 30 September 2020 and certain explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the interim condensed consolidated financial statements 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.

### Conclusion

Based on our review, nothing has come to our attention that causes to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".



Fathi Abu Farah  
Partner  
Moore Stephens and Partners  
License No. 294  
QFMA Auditor License No. 120189

26 October 2020  
Doha, State of Qatar

**BALADNA Q.P.S.C.****INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD FROM ESTABLISHMENT DATE TO 30 SEPTEMBER 2020**

	<i>Note</i>	For the three-month period ended 30 September 2020 QR	For the period from Establishment Date to 30 September 2020 QR
Revenue	4	182,269,815	624,206,389
Cost of revenue	5	(136,250,727)	(452,170,643)
<b>Gross profit</b>		<b>46,019,088</b>	<b>172,035,746</b>
Other income	6	36,831,742	134,406,098
Selling and distribution expenses	7	(22,911,663)	(72,207,277)
General and administrative expenses	8	(19,536,205)	(91,207,579)
<b>Operating profit for the period</b>		<b>40,402,962</b>	<b>143,026,988</b>
Finance costs and bank charges		(11,317,334)	(30,050,803)
<b>Profit before tax for the period</b>		<b>29,085,628</b>	<b>112,976,185</b>
Income tax expense	9	(115,464)	(115,464)
<b>Profit after tax for the period</b>		<b>28,970,164</b>	<b>112,860,721</b>
Other comprehensive income		—	—
<b>Total comprehensive income for the period</b>		<b>28,970,164</b>	<b>112,860,721</b>
<b>Basic and diluted earnings per share</b> <i>(Expressed in QR per share)</i>	20	<b>0.015</b>	<b>0.061</b>

The attached notes from 1 to 27 are an integral part of these interim condensed consolidated financial statements.


**BALADNA Q.P.S.C.****INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2020**

	<i>Note</i>	30 September 2020 QR
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	10	2,660,477,200
Right-of-use assets	11	56,506,117
Intangible assets		4,245,512
Biological assets	12	185,140,342
<b>Total non-current assets</b>		<b>2,906,369,171</b>
<b>Current assets</b>		
Biological assets	12	406,000
Inventories		291,163,140
Due from related parties		20,587,815
Trade and other receivables	13	308,716,030
Cash and bank balances	14	18,705,385
<b>Total current assets</b>		<b>639,578,370</b>
<b>TOTAL ASSETS</b>		<b>3,545,947,541</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	15	1,901,000,000
Legal reserve		500,000
Acquisition reserve	16	201,123,011
Retained earnings		103,206,647
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,205,829,658</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Lease liabilities	17	44,825,629
Borrowings	18	1,008,327,524
Employees' end of service benefits		6,722,535
<b>Total non-current liabilities</b>		<b>1,059,875,688</b>
<b>Current liabilities</b>		
Lease liabilities	17	13,150,101
Due to related parties		6,756,367
Trade and other payables	19	144,004,812
Borrowings	18	62,732,507
Bank overdrafts	14	53,598,408
<b>Total current liabilities</b>		<b>280,242,195</b>
<b>TOTAL LIABILITIES</b>		<b>1,340,117,883</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>3,545,947,541</b>

The attached notes from 1 to 27 are an integral part of these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on 26 October 2020 and signed on their behalf by:

  
Mr. Ramez Mhd Ruslan Al Khayat  
Managing Director

  
Mr. Malcolm Jordan  
Chief Executive Officer

  
Mr. Saifullah Khan  
Chief Financial Officer

**BALADNA Q.P.S.C.****INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD FROM ESTABLISHMENT DATE TO 30 SEPTEMBER 2020**

	Share capital QR	Legal reserve QR	Founders' current account QR	Acquisition reserve QR	Retained earnings QR	Total QR
As at Establishment Date	-	500,000	675,373,011	-	39,578,354	715,451,365
IPO and listing expenses	-	-	-	-	(9,232,428)	(9,232,428)
Capital contribution (Note 15)	1,901,000,000	-	-	-	-	1,901,000,000
Profit for the period	-	-	-	-	112,860,721	112,860,721
Interim dividend declared (Note 21)	-	-	-	-	(40,000,000)	(40,000,000)
Net movement in Founders' current account (Note 16)	-	-	(675,373,011)	-	-	(675,373,011)
Net movement in acquisition reserve (Note 16)	-	-	-	201,123,011	-	201,123,011
<b>As at 30 September 2020</b>	<b>1,901,000,000</b>	<b>500,000</b>	<b>-</b>	<b>201,123,011</b>	<b>103,206,647</b>	<b>2,205,829,658</b>

The attached notes from 1 to 27 are an integral part of these interim condensed consolidated financial statements.



**BALADNA Q.P.S.C.****INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM ESTABLISHMENT DATE TO 30 SEPTEMBER 2020**

	<i>Note</i>	For the period from Establishment Date to 30 September 2020 QR
<b>OPERATING ACTIVITIES</b>		
Profit before tax for the period		112,976,185
Adjustments for:		
Depreciation of property, plant and equipment	10	86,647,468
Depreciation of right-of-use assets	11	17,889,645
Amortization of intangible asset		1,028,473
Provision for employees' end of service benefits		2,649,279
Impairment loss allowance on accounts receivables		(137,987)
Provision for slow moving inventories		(4,757,439)
Loss on disposal of property, plant and equipment		123,034
Gain arising from change in fair value of biological assets	12	(24,181,045)
Cost of slaughtered animals disposed and transfer	12	7,244,156
Loss from death of livestock	12	6,022,866
Interest on lease liabilities		3,625,846
Finance cost		27,052,015
Operating cash flow before movement in working capital		236,182,496
Changes in:		
Inventories		(81,658,270)
Due from related parties		1,546,464
Trade and other receivables		79,753,471
Due to related parties		1,695,608
Trade and other payables		23,765,010
<b>Cash generated from operating activities</b>		261,284,779
Employees' end of service benefit paid		(1,030,819)
Finance cost paid		(5,288,723)
Interest on lease liabilities paid		(3,625,846)
Income tax paid		(35,464)
<b>Net cash from operating activities</b>		251,303,927
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	10	(136,977,546)
Proceeds from disposal of property, plant and equipment		20,381
Purchase of intangible assets		(599,945)
Net movement on biological assets		(7,719,337)
<b>Net cash used in investing activities</b>		(145,276,447)
<b>FINANCING ACTIVITIES</b>		
Net proceeds from Initial Public Offering (IPO)		1,425,750,000
Net movement in borrowings		(1,450,610,117)
Principal elements of lease payments		(17,939,045)
Interim dividend paid		(30,399,192)
Net movement in restricted cash		5,792,211
<b>Net cash used in financing activities</b>		(67,406,143)
Net increase in cash and cash equivalents		38,621,337
Cash and cash equivalents at Establishment Date		(74,500,551)
<b>Cash and cash equivalents at the end of the period</b>	14	(35,879,214)

The attached notes from 1 to 27 are an integral part of these interim condensed consolidated financial statements.



# BALADNA Q.P.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM ESTABLISHMENT DATE TO 30 SEPTEMBER 2020

### 1. Corporate information

Baladna Q.P.S.C. (the “Company”) was established in the State of Qatar under commercial registration number 140310, as Qatari Public Shareholding Company. The Company finalized legal documentation for the process of establishment and issuance of the Commercial registration on 2 December 2019 (the “Establishment Date”), pursuant to the provisions of Qatar Commercial Companies Law. The Company’s registered office is at P.O Box 3382, Um Alhawayya Farm, State of Qatar.

On 11 April, 2019, the founders of the Company received the ministerial decision from the Minister of Commerce and Industry to establish the Company pursuant to the provisions of Qatar Commercial Companies Law.

On 14 October, 2019, Ministry of Justice attested the articles of association for the Company.

The process of initial public offering (IPO) was started on 27 October 2019 and closed on 7 November 2019.

On 26 November 2019, the constitutive general assembly was held to announce establishing the Company.

On 2 December 2019, the Company completed the process of acquiring 100% issued share capital of Baladna food industries W.L.L.

On 4 December, 2019, the Company obtained an approval from Qatar Financial Market Authority (QFMA) on listing the Company’s share on Qatar Exchange.

These interim condensed consolidated financial statements comprise of the financial statements of the Company and its subsidiaries (collectively, the “Group”), as follows:

Subsidiary Name	Country of incorporation	Type of interest	Percentage of effective control
Baladna Food Industries W.L.L. <i>(Note i)</i>	Qatar	Subsidiary	100%
Baladna Food Trading W.L.L. <i>(Note ii)</i>	Qatar	Subsidiary	100%
Baladna Business and Trading LLC <i>(Note iii)</i>	Oman	Subsidiary	100%
Awafi W.L.L. <i>(Note iv)</i>	Qatar	Subsidiary	100%

#### Notes:

- (i)* Baladna Food Industries W.L.L. is a limited liability company established under Commercial Registration No. 64756 and is owned 100% by the Company. The principal activity is production and sales of milk, juice, slaughter of animals and sale of meat.
- (ii)* Baladna Food Trading W.L.L. is a limited liability company established under Commercial Registration No. 133592 and is owned 100% by Baladna Food Industries W.L.L. The principal activity is trading in the food materials.
- (iii)* Baladna Business and Trading LLC is a limited liability company established under Commercial Registration No.1343623 and is owned 99% by Baladna Food Industries W.L.L. and 1% by Baladna Food Trading W.L.L. The principal activities are as follow:
- Retail sale in specialized stores of dairy products, eggs, olive and pickles;
  - Activities of export and import offices; and
  - Wholesale of soft drinks, juices and mineral water.
- (iv)* Awafi W.L.L. is a limited liability company established under Commercial Registration No. 141419 and is owned 100% by Baladna Q.P.S.C. The principal activity is trading in the food materials, packaging and dairy products.

The principal activities of the Group are agricultural activities of production and sales of milk, juice, slaughter of animal and sale of meats.

### 2. Application of new and revised International Financial Reporting Standards (IFRSs)

#### 2.1 Revised standards:

Effective for annual periods beginning on or after 1 January 2020

- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7
- Amendments to references to conceptual framework in IFRS standards



# BALADNA Q.P.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM ESTABLISHMENT DATE TO 30 SEPTEMBER 2020

### 2. Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

#### 2.2 New and revised standards and interpretations but not yet effective:

Effective for annual periods beginning on or after 1 January 2021

- IFRS 17: Insurance Contracts
- Classification of liabilities as current or non-current - Amendments to IAS 1

### 3. Basis of preparation and significant accounting policies

#### 3.1 Statement of compliance

These interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard (IAS 34) "Interim Financial Reporting" and in conformity with the applicable provisions of Qatar Commercial Companies Law.

These interim condensed consolidated financial statements do not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, results for the period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial period ending 31 December 2020.

The interim condensed consolidated financial statements have been prepared in Qatari Riyals (QR), which is the Group's functional and presentation currency and all financial information has been rounded off to the nearest QR, unless otherwise indicated.

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty are in accordance with IFRS.

The accounting policies used in the preparation of these interim condensed consolidated financial statements are in accordance with IFRS, taking into consideration certain new and revised standards and interpretations, that became effective in the current period, which have introduced certain changes. Some of these changes are changes in terminology only, and some are substantive but have had no material effect on the reported results or financial position of the Group.

All material intra-group balances, transactions, income and expenses and profits and losses resulting from intragroup transactions are eliminated on consolidation.

#### *Change in estimate*

During the period, the Group conducted an operational efficiency review of its property, plant and equipment, which resulted in changes in the expected usage of certain assets under property, plant and equipment. The expected useful lives of certain assets under property, plant and equipment has increased. The effect of these changes has decreased the actual depreciation expense, included in cost of revenue, selling and distribution expense and general and administrative expense.

#### 3.2 Basis of measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for biological assets which have been measured at fair value.

### 4. Revenue

The following sets out the disaggregation of the Group's revenue from contracts with customers:

#### a) Type of goods or services

	For the three-month period ended 30 September 2020 QR	For the period from Establishment Date to 30 September 2020 QR
Dairy sales	163,347,515	564,550,202
Juice sales	13,270,080	38,122,813
Livestock sales	3,815,044	11,935,557
Compost and manure sales	1,701,645	6,871,073
Plastic sales	53,203	2,052,650
Feed sales	82,328	674,094
	<b>182,269,815</b>	<b>624,206,389</b>

**BALADNA Q.P.S.C.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM ESTABLISHMENT DATE TO 30 SEPTEMBER 2020****4. Revenue (Continued)***b) Timing of satisfaction of performance obligation*

	For the three-month period ended 30 September 2020 QR	For the period from Establishment Date to 30 September 2020 QR
Goods transferred at point in time	182,269,815	624,206,389

**5. Cost of revenue**

	For the three-month period ended 30 September 2020 QR	For the period from Establishment Date to 30 September 2020 QR
Cost of dairy milk and packaging material	102,193,514	360,879,214
Cost of feeds	44,419,833	147,044,883
Depreciation of property, plant and equipment ( <i>Note 10</i> )	24,411,050	80,937,190
Direct wages	16,006,164	51,002,407
Rent and maintenance	11,549,667	27,004,344
Cost of livestock	6,122,944	17,149,346
Production related indirect expenses	3,836,095	14,210,309
Utilities	3,277,721	15,221,656
Loss from death of livestock	2,689,637	6,022,866
Cost of medicine	2,137,890	7,528,573
Cost of disposed slaughtered animals	1,611,942	5,982,421
Cost of slaughtered animals	766,053	1,261,735
Product disposal and provision for slow moving inventories	523,003	11,855,531
Cost of feeds sold	74,739	579,596
Amortization of intangibles	28,391	73,831
Others	282,550	2,904,669
	219,931,193	749,658,571
Less:		
Net fair value gain on milk produced	(77,288,291)	(273,306,883)
Net fair value gain on biological assets	(6,392,175)	(24,181,045)
	136,250,727	452,170,643

**6. Other income**

	For the three-month period ended 30 September 2020 QR	For the period from Establishment Date to 30 September 2020 QR
Government support ( <i>Note i</i> )	35,928,807	128,502,657
Rental income	28,823	876,888
Loss on disposal of property, plant and equipment	(121,583)	(123,034)
Miscellaneous income	995,695	5,149,587
	36,831,742	134,406,098

**Note i:**

During the period, the Group's wholly owned subsidiary has recognised a support from the Government amounting to QR 128,502,657. The support is granted to the subsidiary on account of the investment made in the field of dairy manufacturing to ensure the country's food supplies. There are certain conditions that need to be met by the Group in order to be entitled to the government support. As at 30 September 2020, management believes that these conditions have been satisfactorily achieved, accordingly, the support has been recognised.

**BALADNA Q.P.S.C.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM ESTABLISHMENT DATE TO 30 SEPTEMBER 2020****7. Selling and distribution expenses**

	For the three-month period ended 30 September 2020 QR	For the period from Establishment Date to 30 September 2020 QR
Staff cost	10,353,944	36,146,719
Advertising and promotion	4,283,386	13,744,183
Management fees ( <i>Note i</i> )	2,700,392	9,054,649
Depreciation of property, plant and equipment ( <i>Note 10</i> )	1,168,603	3,937,410
Water, electricity and fuel	1,574,771	3,746,765
COVID-19 expenses	1,574,232	3,316,030
Insurance	133,545	302,777
Communication	59,380	200,252
Amortization of intangibles	38,331	122,618
Transportation	12,118	61,334
Others	1,012,961	1,574,540
	<b>22,911,663</b>	<b>72,207,277</b>

**Note i:**

This amount represents management fees paid to a third party under revised terms of contract whereby it will cease to act as sole distributor and will continue to provide support.

**8. General and administrative expenses**

	For the three-month period ended 30 September 2020 QR	For the period from Establishment Date to 30 September 2020 QR
Staff cost	5,395,155	19,098,443
Depreciation of right-of-use assets ( <i>Note 11</i> )	3,328,674	17,889,645
Professional charges	1,560,296	23,730,198
Communication	2,703,726	8,330,348
Insurance	2,344,646	7,503,167
Board remuneration	616,000	616,000
Depreciation of property, plant and equipment ( <i>Note 10</i> )	497,797	1,772,868
Amortization of intangible assets	274,843	832,024
COVID-19 expenses	204,248	527,236
Rent and maintenance	176,262	660,288
Charity and donations	134,300	2,411,870
Governmental fees	20,940	253,717
Stationery and printing	5,948	76,869
Others	2,273,370	7,504,906
	<b>19,536,205</b>	<b>91,207,579</b>

**9. Income tax expense**

On 12 December 2019, a new Income Tax Executive Regulations (ER) was introduced in State of Qatar. The Group has performed its preliminary assessment and recorded an income tax provision in this interim condensed consolidated financial statements. However, a detailed assessment will be performed as at 31 December 2020 and any financial impact will be adjusted in the annual consolidated financial statements.

**BALADNA Q.P.S.C.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM ESTABLISHMENT DATE TO 30 SEPTEMBER 2020**

**10. Property, plant and equipment**

**30 September 2020**

<i>Cost:</i>	Land QR	Building and structures QR	Machineries QR	Motor vehicles QR	Furniture and fixtures QR	Capital work in progress QR	Total QR
As at Establishment Date	55,200,100	1,709,611,423	651,103,416	53,614,214	32,704,518	256,254,931	2,758,488,602
Additions during the period	–	10,521,114	11,349,547	4,090,701	5,026,049	105,990,135	136,977,546
Transfers during the period	–	32,062,944	198,409,641	423,500	9,825,183	(240,721,268)	–
Disposals during the period	–	(15,319)	(901,973)	(196,281)	(141,391)	–	(1,254,964)
Transfer to intangible assets during the period	–	–	–	–	–	(1,777,732)	(1,777,732)
<b>As at 30 September 2020</b>	<b>55,200,100</b>	<b>1,752,180,162</b>	<b>859,960,631</b>	<b>57,932,134</b>	<b>47,414,359</b>	<b>119,746,066</b>	<b>2,892,433,452</b>
<i>Accumulated depreciation:</i>							
As at Establishment Date	–	82,712,973	42,171,327	11,412,390	9,247,383	–	145,544,073
Charge for the period	–	41,181,084	32,224,296	4,002,185	9,239,903	–	86,647,468
Related to disposals during the period	–	(10,443)	(87,960)	(12,452)	(124,434)	–	(235,289)
<b>As at 30 September 2020</b>	<b>–</b>	<b>123,883,614</b>	<b>74,307,663</b>	<b>15,402,123</b>	<b>18,362,852</b>	<b>–</b>	<b>231,956,252</b>
<i>Net book value</i>							
<b>As at 30 September 2020</b>	<b>55,200,100</b>	<b>1,628,296,548</b>	<b>785,652,968</b>	<b>42,530,011</b>	<b>29,051,507</b>	<b>119,746,066</b>	<b>2,660,477,200</b>

*Notes:*

- (a) Capital work-in-progress represents expenses incurred by the Group in respect of construction of farm and factories.  
(b) Capital work in progress includes building of cows' farm in Um Al Hawaya, constructed by a related party for the expansion of the Group operations. Transfers from capital work in progress during the period represent the barns and machineries capitalized upon completion of necessary construction and installation work. These constructions are funded mainly from loan proceeds from a local bank.

Additions to the property, plant and equipment during the period included the following transactions with related parties:

Related party	Nature of transactions	For the three-month period ended 30 September 2020 QR	For the period from Establishment Date to 30 September 2020 QR
Urbacon Trading and Contracting W.L.L.	Construction work	7,739,113	44,014,235
Urbacon Plant, Machinery and Vehicles (A Branch of Urbacon Trading and Contracting Company W.L.L.)	Purchase of vehicles	889,596	889,596
Rediant Engineering Enterprises W.L.L.	Supply and installation of utilities	13,886,311	15,074,761
Joury Tour & Travels W.L.L.	Logistics	–	29,605
Steel Master W.L.L.	Supply and installation of furniture and fixtures	–	22,600
Challenger Trading W.L.L.	Manpower supply	–	12,084
Credo Trading Company W.L.L.	Supply and installation of IT equipment	–	116,463

**BALADNA Q.P.S.C.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM ESTABLISHMENT DATE TO 30 SEPTEMBER 2020****10. Property, plant and equipment (Continued)**

Depreciation expenses charged for the period are allocated as follows:

	For the three-month period ended 30 September 2020 QR	For the period from Establishment Date to 30 September 2020 QR
Cost of revenue ( <i>Note 5</i> )	24,411,050	80,937,190
Selling and distribution expenses ( <i>Note 7</i> )	1,168,603	3,937,410
General and administrative expenses ( <i>Note 8</i> )	497,797	1,772,868
	<b>26,077,450</b>	<b>86,647,468</b>

**11. Right-of-use assets**

	30 September 2020 QR
<i>Cost</i>	
As at Establishment Date	23,381,734
Additions	65,911,604
Disposal	(16,665,653)
<b>As at 30 September</b>	<b>72,627,685</b>
<i>Depreciation</i>	
As at Establishment Date	1,655,942
Charge for the period ( <i>Note 8</i> )	17,889,645
Disposals for the period	(3,424,019)
<b>As at 30 September</b>	<b>16,121,568</b>
<b>Net carrying amounts as at 30 September</b>	<b>56,506,117</b>

**12. Biological assets**

The Group's livestock balance primarily comprises of cows which are used in the production of milk and meat. The Group's biological assets stock comprises both immature and mature livestock.

Immature livestock comprise of calves that are intended to be reared to mature. These calves are held to produce milk, but have not started to produce milk. The fair value of the immature livestock is determined by reference to meat price of veal, adjusted to reflect the age of the calves and landed cost of a heifer.

Mature livestock includes cows, which have begun milk production. The fair value of the matured cows is determined by reference to the latest landed cost over heifer adjusted to reflect the decline in productivity through the lactation cycles and the meat price at the point of slaughter.

The value of livestock as follows:

	30 September 2020 QR
As at Establishment Date	166,912,982
Purchases	24,868,683
Gain arising from change in fair value of biological assets	24,181,045
Cost of sale of livestock	(17,149,346)
Transferred to slaughtered animals' inventory	(7,244,156)
Loss from death of livestock	(6,022,866)
<b>As at 30 September 2020</b>	<b>185,546,342</b>
Current livestock	406,000
Non-current livestock	185,140,342
	<b>185,546,342</b>

**BALADNA Q.P.S.C.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM ESTABLISHMENT DATE TO 30 SEPTEMBER 2020****12. Biological assets (Continued)**

	30 September 2020 QR
Mature livestock	110,607,642
Immature livestock	74,938,700
	<u>185,546,342</u>

The quantity of livestock owned by the Group is as follows:

Mature livestock	11,175
Immature livestock	9,585
	<u>20,760</u>

**13. Trade and other receivables**

	30 September 2020 QR
Trade receivables	59,809,607
Less: Impairment loss allowance	(828,292)
	<u>58,981,315</u>
Advances to suppliers	109,004,096
Government support	107,786,421
Prepaid expenses	28,927,967
Deferred expenses	3,967,522
Staff receivables	4,709
Other receivables	44,000
	<u>308,716,030</u>

**14. Cash and cash equivalents**

	30 September 2020 QR
Cash on hand	182,455
Bank balances	18,522,930
Cash and bank balances	18,705,385
Less: Restricted bank balances (Note i)	(986,191)
	<u>17,719,194</u>
Bank overdrafts	(53,598,408)
<b>Cash and cash equivalents</b>	<u><b>(35,879,214)</b></u>

*Note i:*

Restricted bank balances represent amounts pertaining to Loans against Trust Receipt (LTR), a facility utilized by the Group to retire Letter of Credit (LC) related to feed imports.

**15. Share capital**

	30 September 2020	
	No of shares	Amount QR
Authorised, issued and paid-up ordinary and special shares QR 1 per each share	1,901,000,000	<u>1,901,000,000</u>

The Group's authorized, issued and paid-up share capital amounting to QR 1,901,000,000 is divided into 1,900,999,999 ordinary shares and one golden share, the nominal value is QR 1 of each share.

The structure of the share capital upon completion of initial public offering (IPO) process was as follows:

Description	Percentage	Number of shares	Amount QR
In-kind shares subscribed by the Company's Founders (Note 16)	25%	475,250,000	475,250,000
Cash shares subscribed by strategic investors	23%	437,230,000	437,230,000
Cash shares subscribed by Initial Public Offering (IPO)	52%	988,520,000	988,520,000
	<b>100%</b>	<b>1,901,000,000</b>	<b>1,901,000,000</b>

**BALADNA Q.P.S.C.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM ESTABLISHMENT DATE TO 30 SEPTEMBER 2020****16. Acquisition reserve**

This balance represents the issuance of shares to the Founders against the transferring of ownership in capital of Baladna Food Industries W.L.L and settling of their current account as follows:

Description	Amount QR
Founders' current account as at Establishment Date	675,373,011
Adjustment of the share capital of Baladna Food Industries W.L.L.	1,000,000
Issuance of in-kind shares subscribed by the Founders ( <i>Note 15</i> )	(475,250,000)
<b>Acquisition reserve</b>	<b>201,123,011</b>

**17. Leases liabilities**

	30 September 2020 QR
As at Establishment Date	23,729,319
Additions	65,911,604
Disposal	(13,726,148)
Interest expense charged during the period	3,625,846
Repayments during the year	(21,564,891)
<b>As at 30 September</b>	<b>57,975,730</b>
Current portion	13,150,101
Non-current portion	44,825,629
	<b>57,975,730</b>

**18. Borrowings**

	30 September 2020 QR
Loan 1 ( <i>Note i</i> )	1,021,327,524
Loan 2 ( <i>Note ii</i> )	49,732,507
	<b>1,071,060,031</b>
Current portion	62,732,507
Non-current portion	1,008,327,524
	<b>1,071,060,031</b>

**Notes:**

- (i) Loan 1, was obtained by the Company's subsidiary (Baladna Food Industries W.L.L.) from a local bank to finance the construction of cows' farm and working capital requirements. During the period the loan was partially settled by using the cash injected by the Company to its subsidiary. Further, after the partial settlement, this loan has been restructured as murabaha finance payable in 16 years with a grace period of 18 months carrying interest at the rate of 3.5%. The latest murabaha agreement has superseded the previous documentation and there are no collaterals against the loan.
- (ii) Loan 2 was obtained from a local bank in order to finance the working capital requirements. The facility carries interest rate of 3.5% per annum.

**19. Trade and other payables**

	30 September 2020 QR
Trade payables	101,138,072
Accrued expenses	33,101,485
Income tax payable	80,000
Other liabilities	9,685,255
	<b>144,004,812</b>

## BALADNA Q.P.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM ESTABLISHMENT DATE TO 30 SEPTEMBER 2020

#### 20. Basic and diluted earnings per share

	For the three-month period ended 30 September 2020	For the period from Establishment Date to 30 September 2020
Profit for the period (QR)	28,970,164	112,860,721
Weighted average number of shares outstanding during the period	1,901,000,000	1,844,720,395
<b>Basic and diluted earnings per share (QR)</b>	<b>0.015</b>	<b>0.061</b>

#### 21. Dividend

On 27 April 2020, the Board of Directors of the Group passed a resolution to distribute interim dividend approximating QR. 40,000,000, equivalent to QR. 0.021 per share.

#### 22. Segment reporting

- The Group has single significant business operation which is an agricultural activity of production and sales of dairy product in addition to other related products and activities. All other business segments are not significant.
- Geographically, the Group has extended its operations in State of Qatar and Sultanate of Oman. The business operations in Sultanate of Oman are not considered to be significant.

#### 23. Fair value measurements

The Group uses the following hierarchy for determining and disclosing the fair value of biological assets by valuation technique:

- Level 1:** Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3:** Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 September 2020, the Group held the following non-financial assets measured at fair value:

	30 September 2020 QR	Level 1 QR	Level 2 QR	Level 3 QR
<b>Non-financial assets</b>				
Biological assets	185,546,342	–	185,546,342	–

During the period, 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.

#### 24. Acquisition of a subsidiary

During 2019, the Company started the process of acquiring 100% of the share capital of Baladna Food Industries W.L.L. (the "Acquiree"), a company incorporated in State of Qatar and manufacturing and distributing dairy products. Effective from 2 December 2019, the Company is deemed to exercise control over the Acquiree.

The carrying amounts of the identifiable assets and liabilities of the Acquiree at the date of the acquisition were as follow:

	Carrying amount QR
<b>ASSETS</b>	
Cash and bank balances	6,567,001
Restricted bank balance	6,778,402
Trade and other receivables	388,673,220
Due from related parties	21,400,827
Inventories	204,747,431
Intangible assets	2,896,308
Biological assets	166,912,982
Right-of-use assets	21,725,792
Property, plant and equipment	2,612,944,529
<b>Total assets</b>	<b>3,432,646,492</b>



## BALADNA Q.P.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM ESTABLISHMENT DATE TO 30 SEPTEMBER 2020

#### 24. Acquisition of a subsidiary (Continued)

	Carrying amount QR
<b>LIABILITIES</b>	
Bank overdrafts	81,067,552
Borrowings	2,499,906,856
Trade and other payables	101,326,566
Lease liabilities	23,729,319
Due to related parties	5,060,759
Employees' end of service benefits	5,104,075
<b>Total liabilities</b>	<b>2,716,195,127</b>
<b>Total net assets</b>	<b>716,451,365</b>

#### 25. Contingent liabilities

As at 30 September 2020, the Group has contingent liabilities in respect of various banks' letters of credit and other guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise are as follows:

	30 September 2020 QR
Guarantees and letters of credit	72,364,008

#### 26. Social and sports fund

In accordance with Law No. 13 of 2008, the Group is required to provide a provision for the support of sports, social, cultural, and charitable activities with an amount equivalent to 2.5% of the annual net profit. This social and sports contribution is considered as an appropriation of retained earnings of the Group and presented in the consolidated statement of changes in shareholders equity.

The Group has performed its preliminary assessment and concluded that the provision for the support of sports, social, cultural, and charitable activities will not be materially affected, hence, the contribution is not separately disclosed in the interim condensed consolidated statement of changes in shareholders equity. However, a detailed impact assessment will be performed and any financial impact will be trued up in the annual financial statements for the year ended 31 December 2020.

#### 27. Effect of COVID 19

The pandemic of coronavirus ("COVID-19") has spread across the world rapidly. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The pandemic spread is causing disruption and uncertainties to the economic, operations and business activities.

Moreover, the operations of the Group are partially concentrated in economies that are relatively dependent on the price of crude oil. The uncertainties caused by COVID-19 and the volatility in crude oil prices required the management of the Group to update its assumptions used for the determination of expected credit losses as at 30 September 2020. Certain changes have been incorporated in the calculation of expected credit losses to reflect the observable current macro-economic factors and future information.

Based on the management's assessment as at 30 September 2020, there has been no material impact on the expected credit loss on its financial assets, as these financial assets are related to highly rated banks operated in the State of Qatar. Also, there is no impact on the carrying value of their non-financial assets.

The Management has considered the potential impacts of the current economic volatility in determining the reported amounts of the Group's financial and non-financial assets as at 30 September 2020, and assessed the impacts are with positive indications. However, the market remains volatile and the recorded balances are sensitive to the market fluctuations.