

Al Meera Consumer Goods Company Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MEERA CONSUMER GOODS COMPANY Q.S.C.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Meera Consumer Goods Company Q.S.C. (the "Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the consolidated financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| Key Audit Matters | How our audit addressed the key audit matter |
|--|--|
| Goodwill impairment assessment As described in Note 7 to the consolidated financial statements the goodwill balance as of the reporting date is QR 344,097,998, which represents around 16% of the total assets of the Group. The management uses the value in use assessment to support the carrying value of the goodwill and the resulting impairment, if any. This assessment involves the application of subjective judgement about future business performance. Therefore, the assumptions made by management in the impairment review have been considered by the audit team to be the key areas of judgement, notably the cash flow forecasts, overall growth rates, inflation rates, terminal value and the discount rates applied. Therefore, this has been considered as a key audit matter. | We evaluated management's future cash flow forecasts and the process by which they were determined and approved, including ensuring that forecasts were consistent with the latest Board approved budgets and the mathematical accuracy of the underlying calculations were accurate. We also considered the accuracy of previous forecasts made by management. We obtained and evaluated the corroborating evidence regarding the carrying value of goodwill, and the related disclosures, such as key assumptions for growth rates in the cash flow forecasts by comparing them to historical results, economic forecasts and the discount rates by independently estimating a range based on market data. We performed sensitivity analysis around these assumptions to ascertain the extent of change that individually would be required for the goodwill to be impaired. We involved our internal specialists for this purpose. |

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL MEERA CONSUMER GOODS COMPANY Q.S.C. (CONTINUED)**

Report on the Audit of Consolidated Financial Statements (continued)

Other Information included in the Group's 2017 Annual Report

Other information consists of the information included in Annual Report other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. The Group's 2017 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do 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 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.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Management of the Parent Company 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditors' 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism 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 management.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL MEERA CONSUMER GOODS COMPANY Q.S.C. (CONTINUED)**

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of management's 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 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 Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 Legal and Other Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company, an inventory count has been conducted in accordance with established principles, and the financial statements comply with the Qatar Commercial Companies' Law No. 11 of 2015 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year, which might have had a material adverse effect on the Group's financial position or performance.


Ihab Marzouk
of Ernst & Young
Auditor's Registration No. 338

Date: 27 February 2018
Doha



Al Meera Consumer Goods Company Q.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

| | <i>Notes</i> | 2017 QR | 2016 QR |
|---|--------------|------------------------|--------------------|
| Sales | | 2,865,160,019 | 2,604,445,088 |
| Cost of sales | | (2,383,300,077) | (2,162,238,923) |
| Gross profit | | 481,859,942 | 442,206,165 |
| Shops rental income | | 69,509,192 | 69,255,385 |
| Other income | 3 | 16,312,003 | 20,124,223 |
| General and administrative expenses | 4 | (311,360,084) | (278,163,392) |
| Depreciation and amortisation | 6 & 8 | (57,684,733) | (48,150,302) |
| Share of loss of an associate | 10 | (1,551,769) | (1,478,239) |
| Finance costs | | (2,638,538) | (3,581,182) |
| Profit before tax | | 194,446,013 | 200,212,658 |
| Income tax expense | 5 | (171,504) | (335,274) |
| Profit for the year | | 194,274,509 | 199,877,384 |
| Attributable to: | | | |
| Equity holders of the parent | | 194,048,081 | 199,155,622 |
| Non-controlling interests | 26 | 226,428 | 721,762 |
| | | 194,274,509 | 199,877,384 |
| Earnings per share | | | |
| Basic and diluted earnings per share attributable to equity holders of the parent | 24 | 9.70 | 9.96 |

The attached notes 1 to 30 form part of these consolidated financial statements.

Al Meera Consumer Goods Company Q.S.C. ‘

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

| | <i>Note</i> | <i>2017 QR</i> | <i>2016 QR</i> |
|---|-------------|---------------------------|---------------------------|
| PROFIT FOR THE YEAR | | 194,274,509 | 199,877,384 |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i> | | | |
| <i>Investment securities:</i> | | | |
| Net change in the fair value | 9 | <u>(30,794,992)</u> | <u>1,643,265</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>163,479,517</u> | <u>201,520,649</u> |
| Attributable to: | | | |
| Equity holders of the parent | | 163,253,089 | 200,798,887 |
| Non-controlling interests | | <u>226,428</u> | <u>721,762</u> |
| | | <u>163,479,517</u> | <u>201,520,649</u> |

The attached notes 1 to 30 form part of these consolidated financial statements.

Al Meera Consumer Goods Company Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

| | Notes | 2017 QR | 2016 QR |
|--|-------|----------------------|----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 6 | 1,102,989,156 | 920,678,425 |
| Goodwill | 7 | 344,097,998 | 344,097,998 |
| Other intangible assets | 8 | 5,754,370 | 7,288,654 |
| Investment securities | 9 | 129,748,485 | 159,926,871 |
| Investment in associates | 10 | 98,497 | 98,497 |
| Total non-current assets | | 1,582,688,506 | 1,432,090,445 |
| Current assets | | | |
| Inventories | 11 | 196,517,603 | 184,862,105 |
| Trade and other receivables | 12 | 68,926,794 | 83,345,459 |
| Amounts due from related parties | 19 | 10,562,087 | 8,477,240 |
| Bank balances and cash | 13 | 360,694,848 | 500,553,676 |
| Total current assets | | 636,701,332 | 777,238,480 |
| TOTAL ASSETS | | 2,219,389,838 | 2,209,328,925 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 14 | 200,000,000 | 200,000,000 |
| Legal reserve | 15 | 901,289,603 | 901,289,603 |
| Optional reserve | 15 | 21,750,835 | 21,750,835 |
| Other reserves | 15 | (26,096,996) | (7,120,717) |
| Retained earnings | | 283,393,408 | 285,829,206 |
| Equity attributable to equity holders of the parent | | 1,380,336,850 | 1,401,748,927 |
| Non-controlling interests | 26 | 41,117,279 | 40,890,851 |
| Total equity | | 1,421,454,129 | 1,442,639,778 |
| Non-current liabilities | | | |
| Loans and borrowings | 16 | 108,972,229 | 121,546,529 |
| Employees' end of service benefits | 17 | 31,489,217 | 28,843,897 |
| Retentions payable | 18 | 9,423,111 | 9,944,299 |
| Deferred tax liability | 5 | 207,841 | 36,337 |
| Total non-current liabilities | | 150,092,398 | 160,371,062 |
| Current liabilities | | | |
| Trade and other payables | 18 | 635,157,118 | 594,007,976 |
| Loans and borrowings | 16 | 12,686,193 | 12,310,109 |
| Total current liabilities | | 647,843,311 | 606,318,085 |
| Total liabilities | | 797,935,709 | 766,689,147 |
| TOTAL EQUITY AND LIABILITIES | | 2,219,389,838 | 2,209,328,925 |

H.E. Shiekh Thani Bin Thamer Bin Mohamed Al Thani
Chairman

Dr. Saif Saeed Al-Sowaidi
Vice Chairman

The attached notes 1 to 30 form part of these consolidated financial statements.

Al Meera Consumer Goods Company Q.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

| | Notes | 2017 QR | 2016 QR |
|---|-------|--------------------|---------------------|
| OPERATING ACTIVITIES | | | |
| Profit before tax | | 194,446,013 | 200,212,658 |
| Adjustments for: | | | |
| Depreciation and amortisation | 6&8 | 57,684,733 | 48,150,302 |
| Interest income | 3 | (4,822,333) | (7,259,270) |
| Allowance (reversed) recognised for credit loss | 27 | (1,037,142) | 178,048 |
| Provision for employees' end of service benefits | 17 | 7,749,461 | 5,745,073 |
| Provision for obsolete and slow moving inventories | 11 | 1,041,078 | 2,787,305 |
| Share in loss of an associate | 10 | 1,551,769 | 1,478,239 |
| Transfers from Capital work in progress to expenses | 6 | 82,779 | - |
| (Gain) loss on disposal of property and equipment | | (230,465) | 15,912 |
| Dividend income | 3 | (7,524,013) | (9,800,370) |
| Finance costs | | 2,638,538 | 3,581,182 |
| Operating profit before changes in working capital | | 251,580,418 | 245,089,079 |
| Working capital changes: | | | |
| Inventories | | (12,696,576) | (4,230,150) |
| Trade and other receivables | | 14,605,370 | (31,872,239) |
| Amounts due from related parties | | (2,084,847) | (2,816,861) |
| Trade and other payables | | 32,751,742 | 156,950,241 |
| Cash flows from operating activities | | 284,156,107 | 363,120,070 |
| Employees' end of service benefits paid | 17 | (5,104,141) | (2,700,872) |
| Payment of contribution to social and sports fund | | (4,751,925) | (3,820,434) |
| Net cash flows from operating activities | | 274,300,041 | 356,598,764 |
| INVESTING ACTIVITIES | | | |
| Purchase of investment securities | 9 | (228,900,497) | (58,505,662) |
| Proceeds from sale of investment securities | 9 | 228,283,891 | 111,161,918 |
| Purchase of property and equipment | 6 | (238,645,049) | (276,219,852) |
| Purchase of intangible assets | 8 | - | (91,148) |
| Proceeds from disposal of property and equipment | | 331,555 | 99,477 |
| Net movement in deposits maturing after 90 days | | 147,016,000 | (24,616,000) |
| Net movement in restricted bank accounts | | (5,714,987) | (17,061,382) |
| Dividends received | 3 | 7,524,013 | 9,800,370 |
| Interest received | | 5,075,690 | 7,410,362 |
| Net cash flows used in investing activities | | (85,029,384) | (248,021,917) |
| FINANCING ACTIVITIES | | | |
| Dividends paid | | (173,588,798) | (162,252,413) |
| Net movement in Loans and borrowings | | (12,198,216) | 45,328,549 |
| Finance costs paid | | (2,638,538) | (3,581,182) |
| Net cash used in financing activities | | (188,425,552) | (120,505,046) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 845,105 | (11,928,199) |
| Cash and cash equivalents at 1 January | | 268,701,916 | 280,630,115 |
| CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER | 13 | 269,547,021 | 268,701,916 |

The attached notes 1 to 30 form part of these consolidated financial statements.

Al Meera Consumer Goods Company Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

| | Equity attributable to equity holders of the parent | | | | | Non- controlling interests QR | Total QR |
|---|---|------------------------|---------------------------|-------------------------|----------------------------|--|---------------|
| | Share capital QR | Legal reserve QR | Optional reserve QR | Other reserves QR | Retained earnings QR | | |
| Balance as at 1 January 2016 | 200,000,000 | 901,289,603 | 21,750,835 | (11,943,444) | 273,927,930 | 40,169,089 | 1,425,194,013 |
| Adjustment on adoption of IFRS 9 | - | - | - | 677,041 | - | - | 677,041 |
| Adjusted total equity at 1 January 2016 | 200,000,000 | 901,289,603 | 21,750,835 | (11,266,403) | 273,927,930 | 40,169,089 | 1,425,871,054 |
| Profit for the year | - | - | - | - | 199,155,622 | 721,762 | 199,877,384 |
| Reclassification of losses on sales of investment securities | - | - | - | 2,502,421 | (2,502,421) | - | - |
| Net change in fair value (Note 9) | - | - | - | 1,643,265 | - | - | 1,643,265 |
| Total comprehensive income for the year | - | - | - | 4,145,686 | 196,653,201 | 721,762 | 201,520,649 |
| Appropriation for contribution to social and sports fund (Note 23) | - | - | - | - | (4,751,925) | - | (4,751,925) |
| Dividends paid (Note 22) | - | - | - | - | (180,000,000) | - | (180,000,000) |
| Balance as at 31 December 2016 | 200,000,000 | 901,289,603 | 21,750,835 | (7,120,717) | 285,829,206 | 40,890,851 | 1,442,639,778 |
| Profit for the year | - | - | - | - | 194,048,081 | 226,428 | 194,274,509 |
| Reclassification of losses on sales of investment securities | - | - | - | 11,818,713 | (11,818,713) | - | - |
| Net change in fair value (Note 9) | - | - | - | (30,794,992) | - | - | (30,794,992) |
| Total comprehensive income for the year | - | - | - | (18,976,279) | 182,229,368 | 226,428 | 163,479,517 |
| Appropriation for contribution to social and sports fund (Note 23) | - | - | - | - | (4,665,166) | - | (4,665,166) |
| Dividends paid (Note 22) | - | - | - | - | (180,000,000) | - | (180,000,000) |
| Balance as at 31 December 2017 | 200,000,000 | 901,289,603 | 21,750,835 | (26,096,996) | 283,393,408 | 41,117,279 | 1,421,454,129 |

The attached notes 1 to 30 form part of these consolidated financial statements.

Al Meera Consumer Goods Company Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

On 13 July 2004, the Law No. (24) for 2004 was issued in order to transfer the former Consumers Cooperative Societies to Qatari Shareholding Company with a capital of QR 100,000,000, thus, incorporating a new company Al Meera Consumer Goods Company Q.S.C. (the "Company"), which is governed by the Qatar Commercial Companies Law No. 11 of 2015. The Company was registered under commercial registration number 29969 on 2 March 2005. The Company's registered office address is at P.O. Box 3371 Doha, State of Qatar.

The Company and its subsidiaries (together the "Group") are mainly involved in wholesale and retail trading of various types of consumer goods commodities, owning and managing consumer outlets and trading in food stuff and consumer goods.

The Company is listed on the Qatar Exchange and 26% ownership of the Company is held by Qatar Holding L.L.C.

The consolidated financial statements of the Group were authorised for issue by the Board of Directors on 27 February 2018.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention except for investment securities that have been measured at fair value.

The consolidated financial statements are presented in Qatari Riyals ("QR"), which is the Group's functional and presentation currency.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and applicable requirements of Qatar Commercial Companies' Law No. 11 of 2015.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to consolidated financial statements are disclosed in Note 29.

2.2 Basis of consolidation

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and consolidated statement of other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Al Meera Consumer Goods Company Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Group's equity there in. Non-controlling interest consists of the amount of those interest at the date of the original business combination and the non-controlling interest share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest have a blindly obligation and are able to make an additional investment to cover the losses.

The principal subsidiaries and associates of the Group, included in the consolidated financial statements of Al Meera Consumer Goods Company Q.S.C. are as follows:

| Name of subsidiaries | Country of incorporation | Relationship | Group effective shareholding percentage | |
|--|--------------------------|--------------|---|------|
| | | | 2017 | 2016 |
| Al Meera Holding Company L.L.C. | Qatar | Subsidiary | 100% | 100% |
| Al Meera Supermarkets Company S.P.C. | Qatar | Subsidiary | 100% | 100% |
| Al Meera Development Company L.L.C. | Qatar | Subsidiary | 100% | 100% |
| Qatar Markets Company W.L.L. | Qatar | Subsidiary | 100% | 100% |
| Alge Retail Corporation Sarl | Switzerland | Subsidiary | 51% | 51% |
| Al Meera Oman S.A.O.C | Oman | Subsidiary | 70% | 70% |
| Al Meera Markets S.A.O.C | Oman | Subsidiary | 70% | 70% |
| Al Meera Bookstore S.P.C | Qatar | Subsidiary | 100% | 100% |
| Al Oumara Bakeries Company W.L.L. | Qatar | Associate | 51% | 51% |
| Aramex Logistics Services Company L.L.C. | Qatar | Associate | 51% | 51% |

Al Meera Consumer Goods Company Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (continued)

Al Meera Holding Company L.L.C. ("Al Meera Holding") is a limited liability company, incorporated in the State of Qatar. The Company is a holding company for holding the Group's investments and managing its subsidiaries, owning patents, trademarks and real estate needed to carry out its activities.

Al Meera Supermarkets Company S.P.C. ("Al Meera Supermarkets") is a single person company incorporated in the State of Qatar. The Company is engaged in the establishment and management of business enterprise and investing therein, owning share, moveable and immovable properties necessary to carry out its activities.

Al Meera Development Company L.L.C. ("Al Meera Development") is a limited liability company, incorporated in the State of Qatar. The Company is engaged in establishment and management of business enterprise and investing therein, owning patents, trade-works and real estate needed to carry out its activities.

Qatar Markets Company W.L.L. ("Qatar Markets") is a limited liability company, incorporated in the state of Qatar. The Company is engaged in the sale of food stuff, household items and garments.

Al Oumara Bakeries Company W.L.L. ("Al Oumara Bakeries") is a limited liability company, incorporated in the State of Qatar. The Company is engaged in manufacture and sale of bakery products.

Alge Retail Corporation Sarl ("Alge Corporation") is a limited liability company incorporated in Switzerland. The Company is engaged in development of retail business in Tunisia, Libya, Egypt and Jordan. As at the reporting date, this company has not commenced its operations.

Al Meera Oman S.A.O.C. ("Al Meera Oman") is a limited liability company incorporated in Sultanate of Oman. The Company is engaged in the construction and management of shopping centers and related facilities. As at the reporting date, this company has not commenced its operations.

Al Meera Markets S.A.O.C. ("Al Meera Market") is a limited liability company incorporated in Sultanate of Oman. The Company is engaged in the establishment and operation of shopping centers, supermarkets, and hypermarkets.

Al Meera Bookstore S.P.C. ("Al Meera Bookstore") is a single person company incorporated in the State of Qatar. The Company is engaged in the sale of stationery, computer accessories, books and toys.

Aramex Logistics Services Company L.L.C. is a limited liability company incorporated in State of Qatar. The Company is engaged in the warehousing and delivery truck services. As at the reporting date, this company has not commenced its operations.

2.3 New and amended standards and interpretations adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for:

Content

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements Cycle – 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The above amendments to the standards did not have any impact on the Group's performance and financial position for the current year.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

| <i>Contents</i> | <i>Effective dates</i> |
|---|------------------------|
| IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2 | 1 January 2018 |
| Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 | 1 January 2018 |
| IFRS 15: Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 16: Leases | 1 January 2019 |
| IFRS 17: Insurance Contracts | 1 January 2021 |
| Transfers of Investment Property - Amendments to IAS 40 | 1 January 2018 |
| IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| IFRIC Interpretation 23 Uncertainty over Income Tax Treatment | 1 January 2019 |
| Annual Improvements 2014-2016 Cycle (issued in December 2016) | 1 January 2018 |
| Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred indefinitely |

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Subsequently, amendments to IFRS 15 Revenue from Contracts with Customers were issued to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

Transition to IFRS 15

The Group will utilize the option for simplified initial application, i.e., the contracts that are not completed by 1 January 2018 will be accounted for as if they had been recognized in accordance with IFRS 15 from the very beginning. The cumulative effect arising from the transition will be recognized as an adjustment to the opening balance of equity in the year of initial application.

Prior-year comparatives will not be adjusted; instead, the Group will provide an explanation of the reasons for the changes in items in the consolidated statement of financial position and in the consolidated statement of profit or loss for the current period as a result of applying IFRS 15 for the first time.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Standards issued but not yet effective (continued)

The Group intends to use the following practical expedients on transition, because in the view of the Group, the cost of providing the information significantly outweighs any benefits:

- Completed contracts that begin and end within the same annual reporting period will not be revised;
- For completed contracts that have variable consideration, the transaction price at the date the contract was completed will be used, rather than estimating variable consideration amounts in the comparative reporting periods.

Financial Impact

Based on management's latest assessments and estimates at the date of reporting, the following is the expected impact of adopting IFRS 15, on the consolidated financial statements.

Depending on the business model applied, the new provisions affect the following issues in particular including its financial impact:

- Revenue is recognised for the transferred products in the amount of consideration to which the entity expects to be entitled (revenue would not be recognised for the products expected to be returned). Refund liability will be recorded as well as an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability. The Group estimates the revenue would have been decrease by QR 387,693 and refund liability will increase by QR 387,693 at year end had IFRS 15 been applied during the year.
- Financial liabilities arising from third party customer loyalty program should be accounted as an adjustment to the transaction price. The Group estimates the revenue and general and administrative expenses would have been reduced by QR 4,113,103 respectively, had IFRS 15 been applied during the year.

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring restatement of the comparative periods presented in the consolidated financial statements, or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the consolidated financial statements at the reporting period. The Group currently intends to reflect the cumulative impact of IFRS 15 in equity on the date of adoption.

The Group expects to have no significant possible impact of the application of all other standards, amendments and interpretations effective from 1 January 2018.

2.5 Significant accounting policies

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below:

Sale of goods - retail

The Group operates a chain of retail outlets. Sales of goods are recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit card.

Shops rental income

Rental income is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the lease.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting policies (continued)

Revenue recognition (continued)

Dividend and interest income

Dividend income from investments is recognised when the Group's right to receive payment has been established. Interest income is accrued on a time basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimates future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property and equipment

Property and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value. Land and capital work-in-progress is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows;

| | |
|----------------------------------|-----------|
| Buildings | 2.5% |
| Refrigerators and equipment | 10% |
| Motor vehicles | 20% |
| Furniture and fixtures | 20% |
| Computer equipment | 20% - 33% |
| Leasehold and other improvements | 10% - 33% |

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of profit or loss as incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated statement of profit or loss in the year the asset is derecognised.

The asset's residual values, useful life and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Lands donated by Government are recorded at nominal amounts estimated by the management.

Capital work-in-progress

The costs of capital work-in-progress consist of the contract value, and directly attributable costs of developing and bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. The costs of capital work-in-progress will be transferred to property and equipment when these assets reach their working condition for their intended use. The carrying values of capital work-in-progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting policies (continued)

Intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Losses in excess of the cost of the investment in associates are recognised when the Group has incurred obligations on its behalf. Goodwill relating to associates are included in the carrying amounts of the investment and are not amortised.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate. Unrealised gains and losses resulting from transactions between the Group and the associate is eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is an objective evidence that the investment in the associate is impaired.

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting policies (continued)

Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in other income using the effective interest rate method.
- **Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the interest income.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting policies (continued)

Investments and other financial assets (continued)

(ii) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Note 27 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivable except for receivables from government institution, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iv) Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - (a) the Group has transferred substantially all the risks and rewards of the asset, or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand, bank balances and short-term deposits with an original maturity of three months or less, net of bank overdrafts, if any.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade payables, dividends payable, payable to contractors, retentions payables, loans and borrowings and other payables.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Loans and borrowings

Loans and borrowings are recognised initially at fair value of the amount borrowed, less directly attributable transaction costs. After initial recognition, Loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Gain or loss is recognised in consolidated statement of profit or loss when the liability is derecognised.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include those expenses incurred in bringing each product to its present location and condition. Cost is determined using the First In First Out (FIFO) method. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting policies (continued)

Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign currencies

Foreign currency translation

Transactions in foreign currencies are recorded at the rate of exchange ruling at date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the exchange rate ruling at reporting date. Any gain or loss arising from changes in exchange rates is recognised in the consolidated income statement.

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting policies (continued)

Foreign currencies (continued)

Foreign currency translation (continued)

- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Employees' end of service benefits

End of service gratuity plans

The Group provides end of service benefits to its employees in accordance with employment contracts and Qatar Law No. 14 of 2004, the Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension plan

Under Law No. 24 of 2002 on Retirement and Pension, the Group is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Trade payable and accruals

Liabilities are recognised for amounts to be paid in the future for services received or when the risks and rewards associated with goods are transferred to the Group, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's top management (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Taxes

Taxes are calculated based on tax laws and regulations in other jurisdictions in which the Group operates. Tax provision is made based on an evaluation of the expected tax liability. The Group operations inside Qatar are not subject to income tax.

Current income tax:

Current income tax assets and liabilities for the current year and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the financial reporting year.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting policies (continued)

Deferred tax:

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that substantially transfer all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain benefit after the end of the lease term, the asset is depreciated over the lease term.

Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer, substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting policies (continued)

Current versus non-current classification

The Group presents assets and liabilities based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates (See Note 29).

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Al Meera Consumer Goods Company Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

3 OTHER INCOME

| | 2017 QR | 2016 QR |
|----------------------|-------------------|-------------------|
| Dividend income | 7,524,013 | 9,800,370 |
| Interest income | 4,822,333 | 7,259,270 |
| Miscellaneous income | 3,965,657 | 3,064,583 |
| | <u>16,312,003</u> | <u>20,124,223</u> |

4 GENERAL AND ADMINISTRATIVE EXPENSES

| | 2017 QR | 2016 QR |
|--|--------------------|--------------------|
| Salaries, wages and other benefits | 164,116,691 | 147,480,350 |
| Rent | 42,780,963 | 41,966,577 |
| Contract labour charges | 28,651,536 | 23,098,790 |
| Water and electricity | 21,867,750 | 19,251,275 |
| Repairs and maintenance | 11,444,736 | 8,671,366 |
| Bank charges, commission and credit card charges | 8,958,715 | 7,614,230 |
| Advertisement and business promotion expenses | 6,585,336 | 4,551,776 |
| Board of Directors' remuneration (Note 19) | 6,235,802 | 6,234,936 |
| Franchise fee | 3,806,056 | 3,231,928 |
| Vehicle running and insurance expenses | 3,684,793 | 2,941,081 |
| Telephone and postage | 2,977,899 | 2,691,477 |
| Consulting and professional fees | 2,862,286 | 2,691,299 |
| Printing and stationery | 1,578,038 | 1,331,602 |
| Travelling expenses | 1,532,331 | 2,135,040 |
| Donations | 118,323 | 90,699 |
| Others | 4,158,829 | 4,180,966 |
| | <u>311,360,084</u> | <u>278,163,392</u> |

5 INCOME TAX

The major components of income tax expenses is as follows:

| | 2017 QR | 2016 QR |
|--|----------------|----------------|
| Income tax expense | | |
| Deferred income tax | <u>171,504</u> | <u>335,274</u> |
| Income tax expense reported in the consolidated statement of profit or loss | <u>171,504</u> | <u>335,274</u> |

The Group is subject to income tax on its operation in the Sultanate of Oman. Due to tax losses incurred on operations in Sultanate of Oman, no current tax expenses were recognised during the year.

The movements on the deferred income tax liability as follows:

| | 2017 QR | 2016 QR |
|--|------------------|------------------|
| Balance at 1 January | (36,337) | 298,937 |
| Reversal of temporary differences for the year | <u>(171,504)</u> | <u>(335,274)</u> |
| At 31 December | <u>(207,841)</u> | <u>(36,337)</u> |

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6 PROPERTY AND EQUIPMENT

| | Land QR | Buildings QR | Refrigerators and equipment QR | Motor vehicles QR | Furniture and fixtures QR | Computer equipment QR | Leasehold and other improvements QR | Capital work in progress QR | Total QR |
|-----------------------------|------------------|--------------------|---|-------------------------|------------------------------------|-----------------------------|--|-----------------------------------|----------------------|
| Cost: | | | | | | | | | |
| At 1 January 2017 | 5,872,473 | 597,641,319 | 200,327,693 | 16,695,130 | 37,996,801 | 26,618,867 | 75,523,973 | 181,731,350 | 1,142,407,606 |
| Additions | 50,015 | 4,657,396 | 1,879,874 | 808,800 | 3,888,971 | 3,771,990 | 2,469,121 | 221,118,882 | 238,645,049 |
| Disposals | - | - | (97,154) | (215,010) | (124,178) | (66,361) | (295,974) | - | (798,677) |
| Transfers | - | 144,230,765 | 21,410,732 | - | 1,552,410 | 342,399 | 1,810,857 | (169,347,163) | - |
| Written off | - | - | - | - | - | - | - | (82,779) | (82,779) |
| At 31 December 2017 | 5,922,488 | 746,529,480 | 223,521,145 | 17,288,920 | 43,314,004 | 30,666,895 | 79,507,977 | 233,420,290 | 1,380,171,199 |
| Depreciation: | | | | | | | | | |
| At 1 January 2017 | - | 81,400,043 | 77,165,476 | 9,868,819 | 10,785,265 | 17,483,887 | 25,025,691 | - | 221,729,181 |
| Charge for the year | - | 16,130,759 | 18,954,841 | 2,563,876 | 6,770,908 | 4,243,627 | 7,486,438 | - | 56,150,449 |
| Relating to disposals | - | - | (91,070) | (215,000) | (65,297) | (45,510) | (280,710) | - | (697,587) |
| At 31 December 2017 | - | 97,530,802 | 96,029,247 | 12,217,695 | 17,490,876 | 21,682,004 | 32,231,419 | - | 277,182,043 |
| Net carrying amount: | | | | | | | | | |
| At 31 December 2017 | 5,922,488 | 648,998,678 | 127,491,898 | 5,071,225 | 25,823,128 | 8,984,891 | 47,276,558 | 233,420,290 | 1,102,989,156 |

Notes:

- Buildings with a carrying amount of QR 404,374,132 (2016: QR 265,304,584) were constructed on leased lands from Government of Qatar. These lands were acquired on operating leases for a period of 25 years. The management has resolved to depreciate these buildings over 40 years based on the expected useful life period and they believe that these lease contracts can be renewed for another period of time exceeding the useful life of these buildings.
- The capital work-in-progress includes constructions of 5 new supermarkets and these constructions are financed by a loan obtained from a local bank at the latter part of the year 2016. The amount of borrowing costs capitalised during the year ended 31 December 2017 amounted to QR 1,426,533 (2016: Nil). This loan carries profit rate of 3% per annum.

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6 PROPERTY AND EQUIPMENT (CONTINUED)

| Cost: | Land QR | Buildings QR | Refrigerators and equipment QR | Motor vehicles QR | Furniture and fixtures QR | Computer equipment QR | Leasehold and other improvements QR | Capital work in progress QR | Total QR |
|-----------------------|------------|-----------------|---|-------------------------|------------------------------------|-----------------------------|--|-----------------------------------|---------------|
| At 1 January 2016 | 5,872,473 | 524,328,039 | 183,405,447 | 16,560,896 | 22,898,204 | 15,207,438 | 58,849,549 | 39,702,741 | 866,824,787 |
| Additions | - | 2,539,470 | 4,397,339 | 140,253 | 2,184,918 | 3,326,429 | 1,952,509 | 261,678,934 | 276,219,852 |
| Disposals | - | - | (113,897) | (6,019) | (5,930) | (29,122) | (456,312) | (25,753) | (637,033) |
| Transfers | - | 78,863,685 | 19,066,933 | - | 12,796,439 | 1,809,143 | 7,088,352 | (119,624,572) | - |
| Reclassification | - | (8,089,875) | (6,428,129) | - | 123,150 | 6,304,979 | 8,089,875 | - | - |
| At 31 December 2016 | 5,872,473 | 597,641,319 | 200,327,693 | 16,695,130 | 37,996,801 | 26,618,867 | 75,523,973 | 181,731,350 | 1,142,407,606 |
| Depreciation: | | | | | | | | | |
| At 1 January 2016 | - | 69,420,486 | 62,762,028 | 7,343,303 | 6,614,267 | 12,088,740 | 17,405,154 | - | 175,633,978 |
| Charge for the year | - | 12,080,607 | 16,497,814 | 2,531,515 | 4,086,578 | 3,452,259 | 7,988,074 | - | 46,616,847 |
| Reclassification | - | (101,050) | (2,033,284) | - | 84,420 | 1,948,865 | 101,049 | - | - |
| Relating to disposals | - | - | (61,082) | (5,999) | - | (5,977) | (448,586) | - | (521,644) |
| At 31 December 2016 | - | 81,400,043 | 77,165,476 | 9,868,819 | 10,785,265 | 17,483,887 | 25,025,691 | - | 221,729,181 |
| Net carrying amount: | | | | | | | | | |
| At 31 December 2016 | 5,872,473 | 516,241,276 | 123,162,217 | 6,826,311 | 27,211,536 | 9,134,980 | 50,498,282 | 181,731,350 | 920,678,425 |

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7 GOODWILL

The carrying amount of goodwill has been allocated to the following cash generating units:

| | 2017 QR | 2016 QR |
|---|--------------------|--------------------|
| Qatar Markets Company W.L.L. | 227,028,986 | 227,028,986 |
| Al Meera Market S.A.O.C. (Al Safeer Oman) – five supermarkets | 117,069,012 | 117,069,012 |
| | <u>344,097,998</u> | <u>344,097,998</u> |

Qatar Markets Company W.L.L.:

The recoverable amounts of these cash generating units have been determined based on value in use calculations. The calculation uses cash flow projections based on forecast revenues and profit margins approved by management covering 5 years period at a discount rate of 8% (2016: 8%). The forecast EBITDA has been adjusted for changes in working capital and capital expenditure requirements to arrive at free cash flows forecast. The cash flows beyond five – year period are extrapolated using a steady growth rate of 3% (2016: 3.6%), which is the projected long term growth rate of the Company.

Other assumptions used in calculation of value in use includes expected revenue growth rate, fixed average EBITDA margin and capital expenditure forecast. Current and historical transactions have been used as indicators of future transactions.

Management believes that any reasonably possible change in the above key assumptions on which the recoverable amount is based would not cause the carrying value of the goodwill to materially exceed its recoverable amount, accordingly, no impairment loss was recognised in years 2017 and 2016. No impairment has been recognised on Goodwill since its initial recognition.

Al Meera Market S.A.O.C. (Al Safeer Oman) – five supermarkets:

The recoverable amounts of these cash generating units have been determined based on value in use calculations. The calculation uses cash flow projections based on forecast revenues and profit margins approved by management covering 5 years period at a discount rate of 10% (2016: 10%). The forecast EBITDA has been adjusted for changes in working capital and capital expenditure requirements to arrive at free cash flows forecast. The cash flows beyond five – year period are extrapolated using a steady growth rate of 2.6% (2016: 2.6%), which is the projected long term growth rate of the Company.

Other assumptions used in calculation of value in use includes expected revenue growth rate, fixed average EBITDA margin and capital expenditure forecast. Current and historical transactions have been used as indicators of future transactions.

Management believes that any reasonably possible change in the above key assumptions on which the recoverable amount is based would not cause the carrying value of the goodwill to materially exceed its recoverable amount, accordingly, no impairment loss was recognised in years 2017 and 2016. No impairment has been recognised on Goodwill since its initial recognition.

Al Meera Consumer Goods Company Q.S.C.

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8 OTHER INTANGIBLE ASSETS

This represents the customer contracts and non-compete agreement acquired in the business combination and computer software. These assets are amortised over its useful economic lives.

The movements are as follows:

| | <i>2017</i> <i>QR</i> | <i>2016</i> <i>QR</i> |
|----------------------|--------------------------|--------------------------|
| Cost: | | |
| At 1 January | 17,811,175 | 17,720,027 |
| Additions | - | 91,148 |
| At 31 December | <u>17,811,175</u> | <u>17,811,175</u> |
| Amortisation: | | |
| At 1 January | 10,522,521 | 8,989,066 |
| Charge for the year | 1,534,284 | 1,533,455 |
| At 31 December | <u>12,056,805</u> | <u>10,522,521</u> |
| Net carrying amount: | | |
| 31 December | <u>5,754,370</u> | <u>7,288,654</u> |

9 INVESTMENT SECURITIES

| | <i>2017</i> <i>QR</i> | <i>2016</i> <i>QR</i> |
|------------------------|--------------------------|--------------------------|
| Quoted equity shares | 122,620,712 | 145,574,712 |
| Unquoted equity shares | 7,127,773 | 14,352,159 |
| | <u>129,748,485</u> | <u>159,926,871</u> |

Notes:

- (i) Investment securities represent investments in quoted and un-quoted shares carried at fair value through other comprehensive income (FVOCI).
- (ii) The above quoted equity investments are managed by reputable assets managers, who take investment decisions on behalf of the Group.
- (iii) Upon disposal of these equity investments, any balances within the OCI reserve for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.
- (iv) The movements in these investment securities are as follows:

| | <i>2017</i> <i>QR</i> | <i>2016</i> <i>QR</i> |
|----------------------------------|--------------------------|--------------------------|
| At 1 January | 159,926,871 | 210,262,821 |
| Additions | 228,900,497 | 58,505,662 |
| Disposals | (228,283,891) | (111,161,918) |
| Net changes in fair value | (30,794,992) | 1,643,265 |
| Adjustment on adoption of IFRS 9 | - | 677,041 |
| At 31 December | <u>129,748,485</u> | <u>159,926,871</u> |

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10 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

| <i>Name of associate</i> | <i>Principal activity</i> | <i>Place of incorporation and operation</i> | <i>Proportion of ownership interest</i> | |
|--|--|---|---|------------------|
| | | | <i>2017</i> % | <i>2016</i> % |
| Aramex Logistics Services Company L.L.C. | Warehousing, value added services and delivery truck | Qatar | 51% | 51% |
| Al Oumara Bakeries Company W.L.L. | Manufacture and sale of bakery products | Qatar | 51% | 51% |

Even though the ownership in the above stated companies is more than 50%, the Group has only a significant influence over financial and operating policies. Therefore, these companies have not been considered as subsidiaries of the Group.

The movement of investment in associates is as follows:

| | <i>2017</i> <i>QR</i> | <i>2016</i> <i>QR</i> |
|--|--------------------------|--------------------------|
| At 1 January | 98,497 | 98,497 |
| Provision recorded on Al Oumara Bakeries Company W.L.L. as at 1 January | (3,879,717) | (2,401,478) |
| Share of results for the year | (1,551,769) | (1,478,239) |
| Presented separately as a provision for deficit in an associate on Al Oumara Bakeries Company W.L.L. (Note 18) | <u>5,431,486</u> | <u>3,879,717</u> |
| At 31 December | <u>98,497</u> | <u>98,497</u> |

11 INVENTORIES

| | <i>2017</i> <i>QR</i> | <i>2016</i> <i>QR</i> |
|--|--------------------------|--------------------------|
| Finished goods | 201,016,260 | 188,391,278 |
| Consumables and spare parts | <u>1,747,761</u> | <u>1,676,167</u> |
| | 202,764,021 | 190,067,445 |
| Less: Provision for obsolete and slow moving inventories | <u>(6,246,418)</u> | <u>(5,205,340)</u> |
| | <u>196,517,603</u> | <u>184,862,105</u> |

The movement in the provision for obsolete and slow moving inventories is as follows:

| | <i>2017</i> <i>QR</i> | <i>2016</i> <i>QR</i> |
|---------------------|--------------------------|--------------------------|
| At 1 January | 5,205,340 | 2,418,035 |
| Charge for the year | <u>1,041,078</u> | <u>2,787,305</u> |
| At 31 December | <u>6,246,418</u> | <u>5,205,340</u> |

Al Meera Consumer Goods Company Q.S.C.

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12 TRADE AND OTHER RECEIVABLES

| | 2017 QR | 2016 QR |
|---|--------------------|--------------------|
| Trade receivables | 9,740,496 | 11,914,829 |
| Advances to supplier | 22,549,011 | 32,427,920 |
| Credit card receivables | 11,389,585 | 17,222,818 |
| Deposits | 10,557,423 | 9,252,602 |
| Prepaid expenses | 7,799,098 | 6,990,009 |
| Staff receivables | 4,713,879 | 3,779,027 |
| Rent receivables | 2,159,206 | 1,838,297 |
| Accrued interest income | 948,584 | 1,201,941 |
| Other receivables | 409,579 | 498,145 |
| | <u>70,266,861</u> | <u>85,125,588</u> |
| Less: Allowance for impairment of receivables (Note 27) | <u>(1,340,067)</u> | <u>(1,780,129)</u> |
| | <u>68,926,794</u> | <u>83,345,459</u> |

Notes:

- The credit risk disclosures to expected credit losses on trade receivable under IFRS 9, have been disclosed in Note 27.
- It is not the practice of the Group to obtain collateral over trade receivable and the vast majority are, therefore, unsecured.

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the year as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

| | 2017 QR | 2016 QR |
|--|--------------------|--------------------|
| Cash in hand | 2,311,610 | 2,988,921 |
| Cash at bank | <u>308,388,123</u> | <u>246,628,938</u> |
| | <u>310,699,733</u> | <u>249,617,859</u> |
| Short term deposits | 50,116,000 | 251,653,782 |
| Less: Allowance for credit loss on term deposits (Note 27) | <u>(120,885)</u> | <u>(717,965)</u> |
| | <u>49,995,115</u> | <u>250,935,817</u> |
| Total bank balances and cash | 360,694,848 | 500,553,676 |
| Term deposits maturing after 90 days | (10,600,000) | (157,616,000) |
| Restricted bank accounts (Note (iii)) | (80,668,712) | (74,953,725) |
| Allowance for credit loss on term deposits | <u>120,885</u> | <u>717,965</u> |
| | <u>269,547,021</u> | <u>268,701,916</u> |

Notes:

- The term deposits have different maturities and carry profit margin at market rates.
- The credit risk disclosures to expected credit losses on term deposit under IFRS 9 have been disclosed in Note 27.
- Restricted bank accounts consist amounts held in the banks for the dividends approved in the Annual General Assembly.

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14 SHARE CAPITAL

| | 2017 QR | 2016 QR |
|---|--------------------|--------------------|
| <i>Authorised, issued and fully paid:</i> | | |
| 20,000,000 shares of QR 10 each | <u>200,000,000</u> | <u>200,000,000</u> |

15 RESERVES

Legal reserve

In accordance with Qatar Commercial Companies Law, 10% of the profit for the year is transferred to a legal reserve. Transfers to this reserve are required to be made until such time as it equals at least 50% of the issued share capital of the Group. The Group has resolved to discontinue such transfers as the reserve exceeded 50% of share capital. This reserve is not available for distribution except in the circumstances stipulated in Qatar Commercial Companies Law.

Optional reserve

In accordance with the Group's Articles of Association, upon suggestion of the Board of Directors, the General Assembly may decide to deduct a portion of the net profit for the optional reserve. This optional reserve shall be used in the forms and ways that will be decided by the General Assembly. There were no movements during the year ended 31 December 2017 (2016: Nil).

Other reserves

Financial assets and liabilities at fair value through other comprehensive income reserve

The Group has recognise changes in the fair value of investments in investment securities in other comprehensive income. These changes are accumulated within the Financial assets at FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant investment securities are derecognised.

16 LOANS AND BORROWINGS

| | 2017 QR | 2016 QR |
|-----------------------------|--------------------|--------------------|
| Long term Murabaha facility | <u>121,658,422</u> | <u>133,856,638</u> |

Presented in the consolidated statement of financial position as follows:

| | 2017 QR | 2016 QR |
|---------------------|--------------------|--------------------|
| Non-current portion | 108,972,229 | 121,546,529 |
| Current portion | <u>12,686,193</u> | <u>12,310,109</u> |
| | <u>121,658,422</u> | <u>133,856,638</u> |

The Murabaha was obtained to partially fund an acquisition of a subsidiary in Oman obtained from Qatar Development Bank. The facility agreement contains certain covenants related to the capital structure of the operation of the business of Al Meera Markets S.A.O.C., one of the Group's subsidiaries in Oman. The facility carry profit rate of 3% per annum.

There was an initial drawdown of the facility on 20 June 2014, amounting to QR 89 million. This amount is repayable over 40 quarterly instalments starting 30 September 2016.

During the latter part of the year 2016, there was an additional draw down amounting to QR 50 million, which have been fully utilised for the construction of certain super markets of the Group and repayable over 40 quarterly instalments starting 5 December 2016.

This loan is secured by corporate guarantee in the name of Al Meera Holding L.L.C., which is a fully owned subsidiary of the Company.

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17 EMPLOYEES' END OF SERVICE BENEFITS

| | 2017 QR | 2016 QR |
|------------------------------|-------------------|-------------------|
| At 1 January | 28,843,897 | 25,799,696 |
| Provided during the year | 7,749,461 | 5,745,073 |
| End of service benefits paid | (5,104,141) | (2,700,872) |
| At 31 December | <u>31,489,217</u> | <u>28,843,897</u> |

18 TRADE AND OTHER PAYABLES

| | 2017 QR | 2016 QR |
|---|--------------------|--------------------|
| Trade payables | 431,406,765 | 405,232,415 |
| Dividends payable | 94,731,809 | 88,320,607 |
| Accrued expenses | 41,679,878 | 37,605,549 |
| Retentions payable | 29,156,290 | 26,321,863 |
| Payable to contractors | 13,491,441 | 15,723,218 |
| Provision for deficit in an associate (Note 10) | 5,431,486 | 3,879,717 |
| Provision for social and sports fund | 4,665,166 | 4,751,925 |
| Deferred rent income | 1,022,179 | 785,916 |
| Other payables | 13,572,104 | 11,386,766 |
| | <u>635,157,118</u> | <u>594,007,976</u> |

Retentions payable presented in the consolidated statement of financial position as follows:

| | | |
|---------------------|-------------------|-------------------|
| Current portion | 29,156,290 | 26,321,863 |
| Non-current portion | 9,423,111 | 9,944,299 |
| | <u>38,579,401</u> | <u>36,266,162</u> |

19 RELATED PARTY DISCLOSURES

Related party transactions

Related parties represent associated companies, Government and semi Government agencies, associates, major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners. In the ordinary course of business, the Group enters into transactions with related parties. Pricing policies and terms of transactions are approved by the Group's management.

Qatar Holding L.L.C. holds 26% of the Company's capital. In the course of business, the Group supplies its commodities to various Government and semi-Government agencies in the State of Qatar. The Group also avails various services from these parties in the State of Qatar.

The transactions with related parties included in the consolidated statement of profit or loss are as follows:

| | 2017 QR | 2016 QR |
|---|------------------|------------------|
| <i>Purchases:</i> | | |
| Al Oumara Bakeries Company W.L.L. (Associate) | <u>5,144,909</u> | <u>2,847,958</u> |
| <i>Sales:</i> | | |
| Al Oumara Bakeries Company W.L.L. (Associate) | <u>3,651,219</u> | <u>3,985,944</u> |
| <i>Sales Commission income:</i> | | |
| Al Oumara Bakeries Company W.L.L. (Associate) | <u>1,286,227</u> | <u>1,157,210</u> |

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19 RELATED PARTY DISCLOSURES (CONTINUED)

Related party balances

Balances with related parties included in the consolidated statement of financial position are as follows:

| | 2017 QR | 2016 QR |
|--|-------------------|------------------|
| <i>Amounts due from related parties:</i> | | |
| <i>Associates:</i> | | |
| Al Oumara Bakeries Company W.L.L. | 10,550,618 | 8,465,771 |
| Aramex Logistics Services Company L.L.C. | 11,469 | 11,469 |
| | <u>10,562,087</u> | <u>8,477,240</u> |

Terms and conditions of transactions with related parties

The transactions with the related parties are performed at the terms equivalent to those that prevails in arm's length transactions. Outstanding balances at the end of the year are unsecured, interest free and the settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Compensation of key management personnel

| | 2017 QR | 2016 QR |
|---|-------------------|-------------------|
| Key management remuneration | 4,534,537 | 5,152,011 |
| Board of Directors' remuneration (Note 4) | 6,235,802 | 6,234,936 |
| | <u>10,770,339</u> | <u>11,386,947</u> |

20 COMMITMENTS

(a) Capital commitments

Estimated capital expenditure contracted for at the reports date but not provided for:

| | 2017 QR | 2016 QR |
|--|-------------------|--------------------|
| Capital commitments – Property and equipment | | |
| Estimated capital expenditure approved and contracted as of the reporting date | <u>98,405,756</u> | <u>247,558,393</u> |

(b) Operating lease commitments

The Group has entered into non-cancellable lease agreements for certain land and buildings in various super markets.

Future minimum lease rentals payable under non-cancellable operating leases as at 31 December are as follows:

| | 2017 QR | 2016 QR |
|--|--------------------|--------------------|
| Within one year | 34,920,340 | 35,484,553 |
| After one year, but not more than five years | 79,264,526 | 91,324,505 |
| More than five years | 111,988,775 | 114,100,398 |
| | <u>226,173,641</u> | <u>240,909,456</u> |

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21 CONTINGENCIES

At 31 December 2017, the Group had contingent liabilities in respect of letters of credit and letters of guarantee and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. The details are as follows:

| | <i>2017</i> <i>QR</i> | <i>2016</i> <i>QR</i> |
|-----------------------|--------------------------|--------------------------|
| Letters of guarantees | 2,054,575 | 4,949,651 |
| Letters of credits | 660,252 | 892,210 |
| | <u>2,714,827</u> | <u>5,841,861</u> |

22 DIVIDENDS

The Board of Directors have proposed a 85% cash dividend of QR 8.5 per share totalling QR 170 million for the year 2017, which is subject to the approval of the equity holders at the Annual General Assembly (2016: QR 9 per share totalling QR 180 million for the year 2016).

During the current reporting year, following the approval at the Annual General Assembly held on 19 March 2017, the Company paid a cash dividend of QR 9 per share totalling QR 180 million (2016: QR 9 per share, totalling QR 180 million) relating to the year 2016.

23 CONTRIBUTION TO SOCIAL AND SPORTS FUND

In accordance with Law No. 13 of 2008, the Group made an appropriation of profit of QR 4.66 million in 2017 (2016: QR 4.75 million) equivalent to 2.5% of the adjusted net profit of the Group and that of its subsidiaries for the year for the support of sports, cultural, social and charitable activities.

24 EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the Parent by the weighted average number of shares outstanding during the year. The computation of basic and diluted earnings per share are equal as there were no differences in the net profit attributable to equity holders of the parent and weighted number of shares.

| | <i>2017</i> <i>QR</i> | <i>2016</i> <i>QR</i> |
|---|---------------------------|--------------------------|
| Profit attributable to equity holders of the parent | <u>194,048,081</u> | <u>199,155,622</u> |
| Weighted average number of shares | <u>20,000,000</u> | <u>20,000,000</u> |
| Basic and diluted earnings per share | <u>9.70</u> | <u>9.96</u> |

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25 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three operating segments as follows:

- i) The retail segment, which comprises the buying and selling of consumer good
- ii) The investment segment, which comprises equity and funds held as investment securities and fixed deposits.
- iii) The leasing segment, which comprise mainly of renting shops in various malls owned by the Group.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured the same as the operating profit or loss in the consolidated financial statements.

| | <i>Retail QR</i> | <i>Investment QR</i> | <i>Leasing QR</i> | <i>Total QR</i> |
|-------------------------------------|----------------------|--------------------------|-----------------------|---------------------|
| <i>Year ended 31 December 2017:</i> | | | | |
| Sales | 2,865,160,019 | - | - | 2,865,160,019 |
| Cost of sales | (2,383,300,077) | - | - | (2,383,300,077) |
| Gross profit | 481,859,942 | - | - | 481,859,942 |
| Shops rental income | - | - | 69,509,192 | 69,509,192 |
| Dividend income | - | 7,524,013 | - | 7,524,013 |
| Interest income | - | 4,822,333 | - | 4,822,333 |
| Other income | 3,965,657 | - | - | 3,965,657 |
| Operating income | 485,825,599 | 12,346,346 | 69,509,192 | 567,681,137 |
| General and administrative expenses | (306,203,593) | (1,515,542) | (3,640,949) | (311,360,084) |
| Share of loss of an associate | - | (1,551,769) | - | (1,551,769) |
| Depreciation and amortisation | (51,254,594) | (1,053,336) | (5,376,803) | (57,684,733) |
| Finance costs | (2,638,538) | - | - | (2,638,538) |
| Profit before income tax | 125,728,874 | 8,225,699 | 60,491,440 | 194,446,013 |
| Income tax expense | (171,504) | - | - | (171,504) |
| Profit for the year | 125,557,370 | 8,225,699 | 60,491,440 | 194,274,509 |

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25 SEGMENT INFORMATION (CONTINUED)

| | <i>Retail QR</i> | <i>Investment QR</i> | <i>Leasing QR</i> | <i>Total QR</i> |
|-------------------------------------|----------------------|--------------------------|-----------------------|---------------------|
| <i>Year ended 31 December 2016:</i> | | | | |
| Sales | 2,604,445,088 | - | - | 2,604,445,088 |
| Cost of sales | (2,162,238,923) | - | - | (2,162,238,923) |
| Gross profit | 442,206,165 | - | - | 442,206,165 |
| Shops rental income | - | - | 69,255,385 | 69,255,385 |
| Dividend income | - | 9,800,370 | - | 9,800,370 |
| Interest income | - | 7,259,270 | - | 7,259,270 |
| Other income | 2,860,374 | 204,209 | - | 3,064,583 |
| Operating income | 445,066,539 | 17,263,849 | 69,255,385 | 531,585,773 |
| General and administrative expenses | (275,797,701) | (896,140) | (1,469,551) | (278,163,392) |
| Share of loss of an associate | - | (1,478,239) | - | (1,478,239) |
| Depreciation and amortisation | (44,008,158) | - | (4,142,144) | (48,150,302) |
| Finance costs | (3,581,182) | - | - | (3,581,182) |
| Profit before income tax | 121,679,498 | 14,889,470 | 63,643,690 | 200,212,658 |
| Income tax expense | (335,274) | - | - | (335,274) |
| Profit for the year | 121,344,224 | 14,889,470 | 63,643,690 | 199,877,384 |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: Nil). The accounting policies of the reportable segment are the same as per the Group accounting policies described in Note 2.

The following table presents segmental assets regarding the Group's business segments for the year ended 31 December 2017 and 31 December 2016 respectively:

| | <i>Retail QR</i> | <i>Investment QR</i> | <i>Leasing QR</i> | <i>Total QR</i> |
|----------------------------|----------------------|--------------------------|-----------------------|----------------------|
| Segment assets: | | | | |
| At 31 December 2017 | 1,528,154,216 | 534,253,587 | 156,982,035 | 2,219,389,838 |
| At 31 December 2016 | 1,641,683,617 | 423,741,919 | 143,903,389 | 2,209,328,925 |

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25 SEGMENT INFORMATION (CONTINUED)

Geographically, the Group operates in the State of Qatar and the Sultanate of Oman. Following is the summary of key balances related to each geography:

| | <i>Qatar</i> | | <i>Oman</i> | | <i>Total</i> | |
|------------------------|----------------------|----------------------|--------------------|--------------------|----------------------|----------------------|
| | <i>2017</i> | <i>2016</i> | <i>2017</i> | <i>2016</i> | <i>2017</i> | <i>2016</i> |
| | <i>QR</i> | <i>QR</i> | <i>QR</i> | <i>QR</i> | <i>QR</i> | <i>QR</i> |
| Total assets | <u>2,034,093,617</u> | <u>2,024,784,701</u> | <u>185,296,221</u> | <u>184,544,224</u> | <u>2,219,389,838</u> | <u>2,209,328,925</u> |
| Total liabilities | <u>773,922,687</u> | <u>745,703,184</u> | <u>24,013,022</u> | <u>20,985,963</u> | <u>797,935,709</u> | <u>766,689,147</u> |
| | | | | | | |
| | <i>Qatar</i> | | <i>Oman</i> | | <i>Total</i> | |
| | <i>2017</i> | <i>2016</i> | <i>2017</i> | <i>2016</i> | <i>2017</i> | <i>2016</i> |
| | <i>QR</i> | <i>QR</i> | <i>QR</i> | <i>QR</i> | <i>QR</i> | <i>QR</i> |
| Sales | <u>2,723,090,658</u> | <u>2,468,794,842</u> | <u>142,069,361</u> | <u>135,650,246</u> | <u>2,865,160,019</u> | <u>2,604,445,088</u> |
| Profit (<i>Note</i>) | <u>192,700,363</u> | <u>196,301,631</u> | <u>1,574,146</u> | <u>3,575,753</u> | <u>194,274,509</u> | <u>199,877,384</u> |

Note:

Actual profits generated in the above stated locations, have been adjusted to arrive the Geographic profit of the Group.

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26 MATERIAL PARTLY OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

| Names of the subsidiaries | Country of incorporation | Non-controlling interests | | Allocated profit (loss) | | Accumulated balances | |
|------------------------------|--------------------------|---------------------------|------|-------------------------|----------------|----------------------|-------------------|
| | | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Al Meera Markets S.A.O.C. | Oman | 30% | 30% | 270,989 | 735,171 | 39,766,804 | 39,495,815 |
| Al Meera Oman S.A.O.C. | Oman | 30% | 30% | (34,527) | (7,775) | 1,357,915 | 1,392,442 |
| Alge Retail Corporation Sarl | Switzerland | 49% | 49% | (10,034) | (5,634) | (7,440) | 2,594 |
| | | | | <u>226,428</u> | <u>721,762</u> | <u>41,117,279</u> | <u>40,890,851</u> |

Notes:

The Group has the power to appoint and remove the majority of the Board of Directors of the above stated subsidiaries. The relevant activities of these subsidiaries are determined by the Board of Directors based on majority votes. Therefore, the Board of Directors concluded that the Group has control over these subsidiaries and they are consolidated in this consolidated financial statements.

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interest is set out below. Since there were no material transaction and balances in Alge Retail Corporation Sarl, the relevant amounts have not been included in the summarised financial information. The summarised financial information below represents amounts before intergroup eliminations.

Al Meera Markets S.A.O.C. and Al Meera Oman S.A.O.C.

Statement of profit or loss:

| | 2017 QR | 2016 QR |
|------------------------------|----------------------|----------------------|
| Revenue | 142,069,362 | 135,650,245 |
| Other income | 8,869,079 | 9,327,918 |
| Expenses | <u>(149,978,727)</u> | <u>(142,553,511)</u> |
| Profit before income tax | 959,714 | 2,424,652 |
| Income tax expense | <u>(171,504)</u> | <u>-</u> |
| Profit for the year | <u>788,210</u> | <u>2,424,652</u> |
| Attributable to: | | |
| Equity holders of the parent | 551,748 | 1,697,256 |
| Non-controlling interests | <u>236,462</u> | <u>727,396</u> |
| | <u>788,210</u> | <u>2,424,652</u> |

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26 MATERIAL PARTLY OWNED SUBSIDIARIES (CONTINUED)

Statement of financial position:

| | <i>2017</i> <i>QR</i> | <i>2016</i> <i>QR</i> |
|---|--------------------------|--------------------------|
| Non-current assets | 142,485,624 | 146,268,162 |
| Current assets | <u>46,238,120</u> | <u>42,880,676</u> |
| | <u>188,723,744</u> | <u>189,148,838</u> |
| Equity attributable to equity holders of the parent | 95,957,676 | 95,405,928 |
| Non-controlling interests | 41,124,719 | 40,888,257 |
| Non-current liabilities | 1,387,216 | 951,060 |
| Current liabilities | <u>50,254,133</u> | <u>51,903,593</u> |
| | <u>188,723,744</u> | <u>189,148,838</u> |

Statement of cash flows

| | <i>2017</i> <i>QR</i> | <i>2016</i> <i>QR</i> |
|--|--------------------------|--------------------------|
| Net cash from operating activities | 10,062,277 | 14,551,597 |
| Net cash used in investing activities | (1,027,045) | (13,297,682) |
| Net cash used in financing activities | <u>(3,635,935)</u> | <u>(7,801,105)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>5,399,297</u> | <u>(6,547,190)</u> |

27 FINANCIAL RISK MANAGEMENT

Objective and policies

The Group's principal financial liabilities comprises of trade payables, dividends payable, payable to contractors, retentions payable, other payables and loans and borrowings. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets comprise trade receivables, credit card receivables, deposits, staff receivables, rent receivables, amounts due from related parties, other receivables, investment securities and cash and bank balances, which arise directly from its operations. The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks which are summarized below:

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity price will affect the Group's income, equity or the value of its holdings of financial instruments. The management reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's call deposits with floating interest rates.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets held at 31 December. The effect of decreases will be equal and opposite to the effect of increases shown below:

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

| | <i>Changes in basis points</i> | <i>Effect on profit QR</i> |
|---------------------------|------------------------------------|------------------------------------|
| 2017 | | |
| Floating rate instruments | +25 b.p | 713,230 |
| 2016 | | |
| Floating rate instruments | +25 b.p | 369,191 |

Equity price risk

The following table demonstrates the sensitivity of the effect of cumulative changes in fair values recognised in the equity to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

| | <i>Changes in equity prices</i> | <i>Effect on equity QR</i> |
|----------------------|-------------------------------------|------------------------------------|
| 2017 | | |
| Quoted equity shares | +5% | 6,131,036 |
| 2016 | | |
| Quoted equity shares | +5% | 7,278,736 |

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. As the Qatari Riyal is pegged to US Dollar, balances in US Dollars are not considered to represent significant currency risk. The Group is not exposed to significant currency risk, in light of minimal balances in foreign currencies other than US Dollars.

Credit risk

The Group is exposed to credit risk if counterparties fail to make payments as they fall due in respect of:

- Payment of trade receivables as invoices fall due 120 days after being raised
- Contractual cash flows of bank deposits carried at amortised cost

The following credit risk modelling applies for financial assets originated from 1 January 2017:

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the customer;
- Significant increases in credit risk on other financial instruments of the same customer;
- Significant changes in the expected performance and behavior of the customer, including changes in the payment status of customers in the group and changes in the operating results of the customer.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 120 days of when they fall due.

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27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a loan or receivable for as uncollectable when a debtor fails to make contractual payments greater than 120 days past due. Where loans or receivables have been fully provided, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in consolidated statement of profit or loss.

i. General approach

General approach is used for fixed deposits and trade receivables with extended credit terms. The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables, and adjusts for forward looking macroeconomic data. The Group provides for credit losses against these financial assets as at 31 December is as follows:

| <i>31 December 2017</i> | <i>External</i> | <i>Expected</i> | <i>Basis for</i> | <i>Estimated</i> | <i>Carrying</i> |
|---|------------------|--------------------|--------------------------|------------------|-------------------|
| <i>Category</i> | <i>Credit</i> | <i>credit loss</i> | <i>recognition</i> | <i>gross</i> | <i>amount</i> |
| | <i>rating</i> | <i>rate</i> | <i>of</i> | <i>carrying</i> | <i>(net of</i> |
| | | | <i>expected</i> | <i>amount at</i> | <i>impairment</i> |
| | | | <i>credit loss</i> | <i>default</i> | <i>provision)</i> |
| | | | <i>provision</i> | | |
| Short term deposit | Investment grade | 0.24% | 12 month expected losses | 50,116,000 | 49,995,115 |
| Trade receivable from government entities | Investment grade | 0.34% | 12 month expected losses | 7,401,776 | 7,376,482 |
| <i>31 December 2016</i> | <i>External</i> | <i>Expected</i> | <i>Basis for</i> | <i>Estimated</i> | <i>Carrying</i> |
| <i>Category</i> | <i>Credit</i> | <i>credit loss</i> | <i>recognition</i> | <i>gross</i> | <i>amount</i> |
| | <i>rating</i> | <i>rate</i> | <i>of</i> | <i>carrying</i> | <i>(net of</i> |
| | | | <i>expected</i> | <i>amount at</i> | <i>impairment</i> |
| | | | <i>credit loss</i> | <i>default</i> | <i>provision)</i> |
| | | | <i>provision</i> | | |
| Short term deposit | Investment grade | 0.3% | 12 month expected losses | 250,935,817 | 250,217,852 |
| Trade receivable from government entities | Investment grade | 0.34% | 12 month expected losses | 8,691,185 | 8,661,574 |

ii. Simplified approach

For trade receivable and rent receivables, except for trade receivable from government entities, Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for those receivables. The loss allowance provision as at 31 December 2017 is determined as follows:

| <i>31 December 2017</i> | <i>Current</i> | <i>30 – 60</i> | <i>61 – 90</i> | <i>91 – 120</i> | <i>More than</i> | |
|--------------------------|----------------|------------------|-----------------|-----------------|------------------|--------------|
| | | <i>days past</i> | <i>days</i> | <i>days</i> | <i>120 days</i> | <i>Total</i> |
| | | <i>due</i> | <i>past due</i> | <i>past due</i> | <i>past due</i> | |
| Gross carrying amount | 1,833,098 | 1,166,191 | 174,136 | 153,015 | 1,171,486 | 4,497,926 |
| Loss allowance provision | 178,502 | 213,348 | 72,726 | 93,527 | 756,670 | 1,314,773 |

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27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

| <i>31 December 2016</i> | <i>Current</i> | <i>30 – 60 days past due</i> | <i>61 – 90 days past due</i> | <i>91 – 120 days past due</i> | <i>More than 120 days past due</i> | <i>Total</i> |
|--------------------------|----------------|--------------------------------------|--------------------------------------|---------------------------------------|--|--------------|
| Gross carrying amount | 2,279,378 | 1,171,984 | 210,486 | 157,036 | 1,243,057 | 5,061,941 |
| Loss allowance provision | 194,808 | 193,859 | 136,097 | 132,944 | 1,092,810 | 1,750,518 |

The expected credit losses below also incorporate forward looking information.

The movements in the loss allowance provision are as follows:

| | <i>General approach QR</i> | <i>Simplified approach QR</i> | <i>Total QR</i> |
|--|------------------------------------|---------------------------------------|---------------------|
| As at 1 January 2016 | 891,264 | 1,428,782 | 2,320,046 |
| Loss allowance (reversed) recognised in profit or loss during the year | (143,688) | 321,736 | 178,048 |
| As at 31 December 2016 | 747,576 | 1,750,518 | 2,498,094 |
| Loss allowance reversed in profit or loss during the year | (601,397) | (435,745) | (1,037,142) |
| As at 31 December 2017 | 146,179 | 1,314,773 | 1,460,952 |

The gross carrying amount of trade and rent receivables is QR 11,899,702 (2016: QR 13,753,126) (Note 12).

The Group made no write-offs of trade receivables and it does not expect to receive future cash flows or any recoveries from the previously written off financial assets for year ended 31 December 2017 (2016: Nil).

Total loss allowance presented as follows:

| | <i>2017 QR</i> | <i>2017 QR</i> |
|---|--------------------|--------------------|
| Allowance for trade receivable (Note 12) | 1,340,067 | 1,780,129 |
| Allowance for term deposits at amortised cost (Note 13) | 120,885 | 717,965 |
| | 1,460,952 | 2,498,094 |

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's operations.

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27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The table below summaries the maturity profile of the Group's financial liabilities at 31 December based on undiscounted contractual payment dates and current market interest rate.

| <i>At 31 December 2017</i> | <i>On demand QR</i> | <i>Less than 1 year QR</i> | <i>1- 5 years QR</i> | <i>> 5 years QR</i> | <i>Total QR</i> |
|----------------------------|-------------------------|------------------------------------|------------------------------|--------------------------------|---------------------|
| Trade payables | - | 431,406,765 | - | - | 431,406,765 |
| Dividends payable | 94,731,809 | - | - | - | 94,731,809 |
| Retentions payable | - | 29,156,290 | 9,423,111 | - | 38,579,401 |
| Payable to contractors | - | 13,491,441 | - | - | 13,491,441 |
| Other payables | - | 18,237,270 | - | - | 18,237,270 |
| Loans and borrowings | - | 16,256,910 | 81,284,550 | 43,455,514 | 140,996,974 |
| | <u>94,731,809</u> | <u>508,548,676</u> | <u>90,707,661</u> | <u>43,455,514</u> | <u>737,443,660</u> |
| <i>At 31 December 2016</i> | <i>On demand QR</i> | <i>Less than 1 year QR</i> | <i>1- 5 years QR</i> | <i>> 5 years QR</i> | <i>Total QR</i> |
| Trade payables | - | 405,232,415 | - | - | 405,232,415 |
| Dividends payable | 88,320,607 | - | - | - | 88,320,607 |
| Retentions payable | - | 26,321,863 | 9,944,299 | - | 36,266,162 |
| Payable to contractors | - | 15,723,218 | - | - | 15,723,218 |
| Other payables | - | 16,138,691 | - | - | 16,138,691 |
| Loans and borrowings | - | 16,256,910 | 65,027,640 | 75,969,334 | 157,253,884 |
| | <u>88,320,607</u> | <u>479,673,097</u> | <u>74,971,939</u> | <u>75,969,334</u> | <u>718,934,977</u> |

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2017 and 31 December 2016.

Capital includes share capital, legal reserves, optional reserves and retained earnings and is measured at QR 1,406,433,846 at 31 December 2017 (2016: QR 1,408,869,644).

28 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values

Financial instruments comprise financial assets and financial liabilities.

Financial assets consists of bank balances and cash, available-for-sale investments, and trade and other receivables. Financial liabilities consist of loans and borrowings and trade and other payables.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

28 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

As at 31 December, the Group held the following financial instruments measured at fair value:

| 31 December 2017 | Total QR | Level 1 QR | Level 2 QR | Level 3 QR |
|-------------------------|-------------|---------------|---------------|---------------|
| Quoted equity shares | 122,620,712 | 122,620,712 | - | - |
| Un-quoted equity shares | 7,127,773 | - | - | 7,127,773 |
| 31 December 2016 | Total QR | Level 1 QR | Level 2 QR | Level 3 QR |
| Quoted equity shares | 145,574,712 | 145,574,712 | - | - |
| Un-quoted equity shares | 14,352,159 | - | - | 14,352,159 |

During the year ended 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements (2016: Nil).

29 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The most significant judgments and estimates used are as follows:

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

Useful lives of property and equipment and intangibles

The Group's management determines the estimated useful lives of its property and equipment and intangible assets in order to calculate the depreciation and amortisation. This estimate is determined after considering the expected usage of the asset and intangibles, physical wear and tear, technical or commercial obsolescence. The Group's management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate the present value. The recoverable amount of the cash generating unit is determined by management based on value in use calculation which uses cash flow projections based on forecast revenue and profit margin which have been projected for five years discrete period. The forecast EBITDA has been adjusted for changes in working capital and capital expenditure requirements to arrive at free cash flows forecast. The management used discount rates for Qatar Markets Company W.L.L. and Al Meera Market S.A.O.C. (Al Safer Oman) – five supermarkets 8% and 10% (2016: 8% and 10%) and terminal growth rate of 3% and 2.6% (2016: 3.6% and 2.6%).

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

30 COMPARATIVE FIGURES

Certain comparative figures pertaining to 31 December 2016 have been reclassified in order to conform to the current year presentation. Such reclassifications were made to improve the quality of the information presented and do not affect previously reported profit, total comprehensive income or equity.