

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.  
DOHA - QATAR**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2013**

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

For the year ended December 31, 2013

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<b>INDEX</b>	<b>Page</b>
Independent auditor's report	--
Consolidated statement of financial position	1
Consolidated statement of profit or loss	2
Consolidated statement of profit or loss and other comprehensive income	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5 - 6
Notes to the consolidated financial statements	7 - 44



Deloitte & Touche  
Al Ahli Bank Head Office Building  
Sh. Suhaim Bin Hamad Street  
Al Sadd Area  
P.O. Box 431  
Doha - Qatar

Tel : +974 44341112  
Fax : +974 44422131  
www.deloitte.com

QR. 99-8

## INDEPENDENT AUDITOR'S REPORT

### THE SHAREHOLDERS AL MEERA CONSUMER GOODS COMPANY Q.S.C.

#### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al Meera Consumer Goods Company Q.S.C. (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and applicable Qatar Commercial Companies Law provisions and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### *Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Al Meera Consumer Goods Company Q.S.C. and its subsidiaries as at December 31, 2013 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Other Legal and Regulatory Requirements**

We are also of the opinion that proper books of account were maintained by the Company, physical inventory verification has been duly carried out and the contents of the directors' report are in agreement with the Group's consolidated financial statements. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Qatar Commercial Companies Law No. 5 of 2002 and the Company's Articles of Association were committed during the year which would materially affect the Company's activities or its financial position.

**Doha – Qatar**  
**February 17, 2014**

**For Deloitte & Touche**  
**Qatar Branch**



**Midhat Salha**  
**Partner**  
**License No. 257**

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31, 2013

	Notes	2013 QR	2012 QR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	284,324,943	233,147,629
Intangible assets	6	11,804,398	9,912,534
Available for sale investments	7	148,276,661	125,825,910
Deferred tax assets	17	490,162	--
Goodwill	8	344,097,998	227,028,986
<b>Total non-current assets</b>		<b>788,994,162</b>	<b>595,915,059</b>
<b>Current assets</b>			
Inventories	9	148,548,895	116,018,879
Accounts receivable and prepayments	10	47,929,842	35,799,332
Cash and bank balances	11	809,863,801	298,441,888
<b>Total current assets</b>		<b>1,006,342,538</b>	<b>450,260,099</b>
<b>Total assets</b>		<b>1,795,336,700</b>	<b>1,046,175,158</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	200,000,000	100,000,000
Legal reserve	13	901,289,603	53,509,967
Optional reserve	13	21,750,835	21,750,835
Fair value reserve		6,609,740	4,504,437
Retained earnings		234,535,493	123,181,999
<b>Equity attributable to the owners of the Company</b>		<b>1,364,185,671</b>	<b>302,947,238</b>
Non-controlling interests		39,785,118	2,286,605
<b>Total equity</b>		<b>1,403,970,789</b>	<b>305,233,843</b>
<b>Non-current liabilities</b>			
Loans and borrowings	14	--	408,498,236
Employees' end of service benefits	15	21,095,034	17,897,797
<b>Total non-current liabilities</b>		<b>21,095,034</b>	<b>426,396,033</b>
<b>Current liabilities</b>			
Accounts payable and accruals	16	370,270,877	314,545,282
<b>Total current liabilities</b>		<b>370,270,877</b>	<b>314,545,282</b>
<b>Total liabilities</b>		<b>391,365,911</b>	<b>740,941,315</b>
<b>Total equity and liabilities</b>		<b>1,795,336,700</b>	<b>1,046,175,158</b>

H.E. Abdulla Bin Khalid Al Qahtani  
Chairman



Dr. Saif Saeed Al-Sowaidi  
Vice Chairman

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
For the year ended December 31, 2013

	Notes	2013 QR	2012 QR
Sales		1,945,952,216	1,503,516,973
Cost of sales		<u>(1,626,436,774)</u>	<u>(1,247,842,467)</u>
<b>Gross profit</b>		<b>319,515,442</b>	<b>255,674,506</b>
Shops rental income		36,584,593	32,742,429
Other income	20	<u>26,065,893</u>	<u>26,999,190</u>
<b>Operating income</b>		<b>382,165,928</b>	<b>315,416,125</b>
General and administrative expenses	21	(220,401,189)	(173,995,732)
Depreciation	5	(32,627,390)	(22,205,745)
Amortisation of intangible assets	6	(1,733,251)	(1,932,199)
Finance costs		<u>(3,690,470)</u>	<u>(12,130,050)</u>
<b>Profit before expropriation of land and building</b>		<b>123,713,628</b>	<b>105,152,399</b>
Gain on expropriation of land and building	5	<u>71,417,621</u>	<u>--</u>
<b>Profit before income tax</b>		<b>195,131,249</b>	<b>105,152,399</b>
Income tax credit	17	490,162	--
<b>Profit for the year</b>		<b><u>195,621,411</u></b>	<b><u>105,152,399</u></b>
<b>Attributable to :</b>			
Owners of the Company		196,123,109	105,755,855
Non-controlling interests		<u>(501,698)</u>	<u>(603,456)</u>
		<b><u>195,621,411</u></b>	<b><u>105,152,399</u></b>
<b>Basic and diluted earnings per share</b>	22		
Basic EPS as previously stated		--	10.58
Basic EPS (2012 restated for rights issue)		<u>10.27</u>	<u>9.00</u>
<b>Weighted average number of shares</b>		<b><u>19,101,370</u></b>	<b><u>11,757,049</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended December 31, 2013

	Note	<u>2013</u>	<u>2012</u>
		QR	QR
<b>Profit for the year</b>		<b>195,621,411</b>	<b>105,152,399</b>
<b>Other comprehensive income/(loss)</b>			
Net movement in fair value of available-for-sale investments	23	<u>2,105,303</u>	<u>(1,769,263)</u>
<b>Total comprehensive income for the year</b>		<b><u>197,726,714</u></b>	<b><u>103,383,136</u></b>
<b>Attributable to :</b>			
Owners of the Company		<b>198,228,412</b>	<b>103,986,592</b>
Non-controlling interests		<b><u>(501,698)</u></b>	<b><u>(603,456)</u></b>
		<b><u>197,726,714</u></b>	<b><u>103,383,136</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended December 31, 2013

	Share capital		Share capital premium		Legal reserve		Optional reserve		Fair value reserve		Retained earnings		Total equity attributable to the owners of the Company		Non-controlling interests		Total	
	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR
Balance at January 1, 2012	100,000,000	--	--	53,509,967	21,750,835	6,273,700	89,922,728	271,457,230	--	--	271,457,230	--	271,457,230	--	--	--	--	271,457,230
Total comprehensive income for the year	--	--	--	--	--	(1,769,263)	105,755,855	103,986,592	(603,456)	--	--	(2,496,584)	2,890,061	2,890,061	--	--	--	2,890,061
Appropriation for contribution to social fund (Note 19)	--	--	--	--	--	--	(70,000,000)	(70,000,000)	--	--	--	--	--	--	--	--	--	--
Non-controlling interests arising from investments in subsidiaries	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Dividends declared (Note 18)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Balance at December 31, 2012	100,000,000	--	--	53,509,967	21,750,835	4,504,437	123,181,999	302,947,238	2,286,605	2,286,605	305,233,843	--	305,233,843	--	--	--	--	305,233,843
Issue of share capital	100,000,000	847,779,636	--	--	--	--	--	--	--	--	947,779,636	--	947,779,636	--	--	--	--	947,779,636
Total comprehensive income for the year	--	--	--	--	--	2,105,303	196,123,109	198,228,412	(501,698)	--	--	(4,769,615)	(4,769,615)	--	--	--	--	(4,769,615)
Appropriation for contribution to social fund (Note 19)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Non-controlling interests arising from investments in subsidiaries	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Transfer to legal reserve	--	(847,779,636)	--	847,779,636	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Dividends declared (Note 18)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Balance at December 31, 2013</b>	<b>200,000,000</b>	<b>--</b>	<b>--</b>	<b>901,289,603</b>	<b>21,750,835</b>	<b>6,609,740</b>	<b>234,535,493</b>	<b>1,364,185,671</b>	<b>39,785,118</b>	<b>--</b>	<b>1,403,970,789</b>	<b>--</b>	<b>1,403,970,789</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,403,970,789</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS



**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended December 31, 2013

	Note	2013 QR	2012 QR
<b>OPERATING ACTIVITIES</b>			
Profit before income tax		195,131,249	105,152,399
Adjustments for:			
Depreciation	5	32,865,935	22,475,783
Amortisation of intangibles	6	1,733,251	1,932,199
Interest income		(7,274,115)	(1,782,504)
Gain on sale of available for sale of investments, net		(14,881,237)	(7,501,520)
Provision for doubtful debts, net		184,376	18,912
Provision employees' end of service benefits	15	4,877,741	4,674,394
Provision for shrinkage and slow moving inventories		958,323	--
Net gain on disposal of property and equipment	5 & 20	(65,624,883)	(40,925)
Dividend income		(5,338,503)	(5,892,508)
Finance cost		3,690,470	12,130,050
		<u>146,322,607</u>	<u>131,166,280</u>
<b>Working capital changes:</b>			
Accounts receivable and prepayments		(8,868,664)	3,365,396
Inventories		(18,077,363)	(28,315,916)
Accounts payable and accruals		<u>24,020,410</u>	<u>71,210,101</u>
<b>Cash from operations</b>		<u>143,396,990</u>	<u>177,425,861</u>
Payment of employees' end of service benefits	15	(1,680,504)	(5,448,853)
Payment of contribution to social fund		(4,320,225)	--
<b>Net cash generated by operating activities</b>		<u>137,396,261</u>	<u>171,977,008</u>
<b>INVESTING ACTIVITIES</b>			
Acquisition of business net of cash acquired	8	(116,786,292)	--
Purchase of available-for-sale investments		(218,403,566)	(119,604,532)
Proceeds from sale of available-for-sale investments		212,939,355	109,241,638
Purchase of property and equipment		(89,974,836)	(83,097,457)
Proceeds from disposal of property and equipment		73,705,576	65,369
Purchase of intangible assets		(1,235,748)	--
Net movement in deposits maturing after 90 days	11	(556,409,910)	27,264,032
Dividends received	20	5,338,503	5,892,508
Interest received		4,522,229	1,782,504
<b>Net cash used in investing activities</b>		<u>(686,304,689)</u>	<u>(58,455,938)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.****CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended December 31, 2013

	Note	<b>2013</b>	<b>2012</b>
		<b>QR</b>	<b>QR</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings		--	410,134,826
Repayments of loans and borrowings	14	<b>(408,498,236)</b>	(248,301,993)
Proceeds from rights issued		<b>947,779,636</b>	--
Dividends paid		<b>(69,670,710)</b>	(54,261,748)
Interest paid		<b>(3,690,470)</b>	(15,111,931)
Non-controlling interest arising from investments in subsidiaries		<b>38,000,211</b>	<b>2,890,061</b>
<b>Net cash generated by financing activities</b>		<b>503,920,431</b>	<b>95,349,215</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(44,987,997)</b>	<b>208,870,285</b>
Cash and cash equivalents at the beginning of the year		<b>253,518,099</b>	<b>44,647,814</b>
<b>Cash and cash equivalents at the end of the year</b>	11	<b>208,530,102</b>	<b>253,518,099</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

## AL MEERA CONSUMER GOODS COMPANY Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

#### 1. INCORPORATION AND ACTIVITIES

On July 13, 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, Al-Meera Consumer Goods Company (the "Company"), which is governed by the Qatar Commercial Companies Law No. 5 of 2002. The Company was registered under Article 68 of Commercial Companies Law with commercial registration number 29969 on March 2, 2005. The Company's registered office address is at P.O. Box 3371 Doha, State of Qatar.

On October 8, 2012, the shareholders approved the increase in share capital to 20,000,000 shares with nominal value of QR. 10 per share. The 10,000,000 shares were issued at QR. 95 per share and subscription was closed on February 10, 2013.

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 foodstuff and consumer goods.

The Company is listed on the Qatar Exchange. The Government of the State of Qatar owns 26% of the Company's shares.

The Company is the ultimate parent of the following companies:

Entity Name	Country of incorporation	Relationship	Ultimate ownership interest	
			2013	2012
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%
Al Oumara Bakeries 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 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 shares, 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.

## AL MEERA CONSUMER GOODS COMPANY Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

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#### 1. INCORPORATION AND ACTIVITIES (CONTINUED)

**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. The financial information of the subsidiary is disclosed in Note 27.

**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. The financial information of the subsidiary is disclosed in Note 27.

**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.

These consolidated financial statements of the Group for the year ended December 31, 2013 were authorized for issue by the Chairman and Vice Chairman on February 17, 2014.

#### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

##### 2.1 New and revised IFRSs affecting amounts reported in the financial statements

The following are the new and revised IFRSs that were effective in the current year and have been applied in the preparation of these consolidated financial statements:

##### (i) New Standards

Effective for annual periods beginning on or after January 1, 2013

- IFRS 10\* *Consolidated Financial Statements*
- IFRS 11\* *Joint Arrangements*
- IFRS 12\* *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**

**2.1 New and revised IFRSs affecting amounts reported in the financial statements (continued)**

**(ii) Revised Standards**

Effective for annual periods beginning on or after July 1, 2012

- IAS 1 (Revised) *Presentation of Financial Statements - Amendments to introduce new terminology for the income statement and other comprehensive income*

Effective for annual periods beginning on or after January 1, 2013

- IFRS 1 (Revised) *First Time Adoption of International Financials Reporting Standards – Amendments to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 to government loans outstanding at the date of transition to IFRS.*
- IFRS 7 (Revised) *Financial Instruments Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities.*
- IAS 19 (Revised) *Employee Benefits - Amended Standard to change the accounting for defined benefit plans and termination benefits*
- IAS 27 (Revised)\* *Consolidated and Separate Financial Statements ( Early adoption allowed) - Reissued as IAS 27 Separate Financial Statements.*
- IAS 28 (Revised)\* *Investments in Associates ( Early adoption allowed) -Reissued as IAS 28 Investments in Associates and Joint Ventures.*
- IFRS 10, 11 and 12 amendments\* *Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.*
- Annual improvements to IFRSs 2009-2011 cycle *Amendments to issue clarifications on five IFRSs- IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.*

\* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after January 1, 2013. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**

**2.1 New and revised IFRSs affecting amounts reported in the financial statements (continued)**

**(iii) New Interpretation:**

Effective for annual periods beginning on or after January 1, 2013

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

The adoption of these new and revised standards had no significant effect on the consolidated financial statements of the Group for the year ended December 31, 2013, other than certain presentation and disclosure changes.

**2.2 New and revised IFRSs in issue but not yet effective (Early adoption allowed)**

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

**(i) New Standards:**

Effective for annual periods beginning on or after January 1, 2017

- IFRS 9 *Financial Instruments*

**(ii) Revised Standards:**

Effective for annual periods beginning on or after January 1, 2014

- IAS 32 (Revised) *Financial Instruments: Presentation – Amendments to clarify existing application issues relating to the offsetting requirements.*
- IFRS 10, 12 and IAS 27 (Revised) *Amendments to introduce an exception from the requirement to consolidate subsidiaries for an investment entity.*
- IAS 36 (Revised) *Amendments arising from recoverable amount disclosures for non-financial assets.*
- IAS 39 (Revised) *Amends IAS 39 Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.*

Effective for annual periods beginning on or after January 1, 2017

- IFRS 7 (Revised) *Financial Instruments Disclosures – Amendments requiring disclosures about the initial application of IFRS 9*

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**

**2.2 New and revised IFRSs in issue but not yet effective (Early adoption allowed)**

**(ii) Revised Standards:**

Effective for annual periods beginning on or after July 1, 2014

- IAS 19 (Revised) *Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.*
- Annual improvements to IFRSs 2010-2012 cycle *Amendments to issue clarifications on IFRSs- IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.*
- Annual Improvements 2011-2013 Cycle *Amendments to issue clarifications on IFRSs- IFRS 1, IFRS 3, IFRS 13 and IAS 40.*

**(iii) New Interpretation:**

Effective for annual periods beginning on or after January 1, 2014

- IFRIC 21 *Levies*

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group in the period of initial application, other than certain presentation and disclosure changes.

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and applicable provisions of Qatar Commercial Company Law.

**Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for available-for- investments that are measured at fair value.

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of preparation (continued)**

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, regardless of whether that price is directly observable or estimated using another valuation technique.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (ii) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of the acquisition and up to the effective date of disposal.

Wherever necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All inter group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets that is not held by the Group and are presented separately in the consolidated profit or loss, consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position separately from the equity attributable to the owners of the Company.



**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2013

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**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Revenue**

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 recognizes 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.

*Sales of goods - retail*

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

*Shop rental income*

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

*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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Foreign currency translation**

*Functional and presentation currency*

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in 'Qatari Riyals' ('QR'), which is the Group's functional and presentation currency.

*Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

## AL MEERA CONSUMER GOODS COMPANY Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

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#### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

The remaining borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

##### **Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

##### **Property and equipment**

Property and equipment is stated at historical cost less depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Land 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	5%
Refrigerators and equipment	20%
Motor vehicles	20%
Furniture and fixtures	20%
Computer equipment	20% - 33%
Leasehold improvements	10% - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other income' in the consolidated statement of profit or loss.

## AL MEERA CONSUMER GOODS COMPANY Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

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#### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Property and equipment (continued)

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

Properties in the course of construction for rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

##### Intangible assets

Intangible assets other than goodwill are recognized at cost and carried at cost less accumulated amortization. The amortization is calculated using the straight-line method to allocate the cost over the estimated useful life of 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

##### Business combination and goodwill

Business combinations are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of asset given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

##### Impairment of goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in consolidated statement of profit or loss.

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Impairment of goodwill (continued)**

An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Impairment of tangible and intangible assets other than goodwill**

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost comprises the purchase price, import duties, transportation handling and other direct costs incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**Financial assets**

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale investments, held to maturity investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Effective interest rate method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or where appropriate, a shorter period to the net carrying amount on initial recognition.

*Financial assets at fair value through profit or loss (FVTPL)*

Financial assets are classified as at FVTPL where the financial asset is either held for trading or is designated as at FVTPL.

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Financial assets (continued)**

*Financial assets at fair value through profit or loss (FVTPL) (continued)*

A financial asset is classified as held for trading if:

- (i) it has been acquired principally for the purpose of selling in the near future;
- (ii) on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- (ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (iii) it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

*Available for sale (AFS) investments*

AFS investments are non-derivative financial assets that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed securities held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at cost because the management considers that fair value cannot be reliably measured. Gains and losses arising from changes in fair value are recognised directly in equity in the fair value reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated statement of profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is taken to the consolidated statement of profit or loss.

Dividends on AFS equity instruments are recognised in the consolidated statement of profit or loss when the Group's right to receive the dividends is established.

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2013

---

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Financial asset (continued)**

*Loans and advances*

Loans and advances are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and advances are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial. The amortisation is included in 'interest income' in the consolidated statement of profit or loss. The losses arising from impairment are recognised in the consolidated statement of profit or loss.

*Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand, bank balances and short term deposits with an original maturity of three months or less

*Trade receivables*

Accounts receivable are stated at original invoice amount, less any impairment for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each consolidated statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- (i) significant financial difficulty of the issuer or counterparty; or
- (ii) default or delinquency in interest or principal payments; or
- (iii) it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- (iv) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

## AL MEERA CONSUMER GOODS COMPANY Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

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#### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Financial asset (continued)

##### *Impairment of financial assets (continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of profit or loss.

When an AFS financial asset is considered to be impaired, cumulative losses previously recognised in other comprehensive income are reclassified to consolidated statement of profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised through the consolidated statement of profit or loss are not reversed through the consolidated statement of profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of fair value reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through consolidated statement of profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

##### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in consolidated statement of profit or loss.

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial liabilities and equity instruments issued by the Group**

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

*Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

*Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

**Employee benefits**

*Annual leave and air-fare ticket entitlements*

A provision is made for the estimated liability for employees' entitlement to annual leave and air-fare ticket as a result of services rendered by the employees up to the consolidated statement of financial position date. This provision is included in 'trade and other payables' in the consolidated statement of financial position.

*Employees' end-of-service benefits*

A provision is made for employees end of service benefits which are payable on completion of employment. The provision is calculated in accordance with Qatari Labour Law based on employees' salary and accumulated period of service as at the reporting date.

*Employees' retirement contribution*

The Group makes contribution to the General Pension Fund Authority calculated as a percentage of employees' salaries in accordance with the requirements of Law No. 24 of 2002 pertain to Retirement and Pensions. The Group's obligations are limited to these contributions which are expensed when due. This provision is included in 'trade and other payables' in the consolidated statement of financial position.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.



**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income tax**

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Income tax is recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax assets/liabilities are calculated using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset these in applicable tax jurisdiction.

**Dividend distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

**4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

**Impairment of receivables**

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

**4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

**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 historical realisable value. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

**Useful lives of property and equipment**

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

**Impairment of goodwill**

In 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 has used discount rate of 7% and terminal growth rate of 5%.

**Purchase price allocation**

In connection with the business combination entered during the year, the Group has applied purchase price allocation which involves significant judgment in respect of identifiable assets and liabilities being recognized.

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**5. PROPERTY AND EQUIPMENT**

Cost	Land	Buildings	Refrigerators and equipment	Motor vehicles	Furniture and fixtures	Computer equipment	Leasehold improvements	Capital work- in-progress	Total
	QR	QR	QR	QR	QR	QR	QR	QR	QR
At January 1, 2013	5,383,975	137,753,158	89,414,915	8,457,875	39,855,847	18,764,399	23,581,358	76,599,528	399,811,055
Additions	75,030	--	14,394,796	2,469,988	2,917,302	4,050,570	1,854,127	66,214,578	91,976,391
Disposals	(6,145)	(176,286)	(30,098,781)	(1,801,678)	(20,999,991)	(14,829,522)	(12,025,569)	(1,459,891)	(81,397,863)
Transfers	--	70,591,052	18,984,994	--	8,527,524	2,371,394	7,583,501	(108,058,465)	--
<b>At December 31, 2013</b>	<b>5,452,860</b>	<b>208,167,924</b>	<b>92,695,924</b>	<b>9,126,185</b>	<b>30,300,682</b>	<b>10,356,841</b>	<b>20,993,417</b>	<b>33,295,750</b>	<b>410,389,583</b>
<b>Accumulated Depreciation:</b>									
At January 1, 2013	--	49,991,730	54,428,864	6,446,382	29,981,978	14,771,399	11,043,073	--	166,663,426
Provided during the year	--	8,145,681	12,758,445	1,046,210	4,426,199	2,915,450	3,573,950	--	32,865,935
Relating to disposals	--	(135,788)	(28,774,287)	(1,712,967)	(19,301,229)	(14,411,262)	(9,129,188)	--	(73,464,721)
<b>At December 31, 2013</b>	<b>--</b>	<b>58,001,623</b>	<b>38,413,022</b>	<b>5,779,625</b>	<b>15,106,948</b>	<b>3,275,587</b>	<b>5,487,835</b>	<b>--</b>	<b>126,064,640</b>
<b>Net book value</b>									
<b>At December 31, 2013</b>	<b>5,452,860</b>	<b>150,166,301</b>	<b>54,282,902</b>	<b>3,346,560</b>	<b>15,193,734</b>	<b>7,081,254</b>	<b>15,505,582</b>	<b>33,295,750</b>	<b>284,324,943</b>

During this year, the Group has capitalized borrowing cost amounting to Nil (2012: QR 820,857), as a part of the capital work in progress.

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

**5. PROPERTY AND EQUIPMENT (CONTINUED)**

Cost	Land		Buildings		Refrigerators and equipment		Motor vehicles		Furniture and fixtures		Computer equipment		Leasehold improvements		Capital work-in-progress		Total	
	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR
At January 1, 2012	5,383,975	90,386,027	72,379,830	7,700,875	38,575,269	15,593,586	18,987,789	70,451,935	319,459,286									
Additions	--	--	8,349,277	757,000	1,035,262	2,766,285	1,988,988	68,200,645	83,097,457									
Disposals	--	--	(2,721,969)	--	(819)	(22,900)	--	--	(2,745,688)									
Transfers	--	47,367,131	11,407,777	--	246,135	427,428	2,604,581	(62,053,052)	--									
At December 31, 2012	5,383,975	137,753,158	89,414,915	8,457,875	39,855,847	18,764,399	23,581,358	76,599,528	399,811,055									
Accumulated Depreciation:																		
At January 1, 2012	--	45,143,645	47,315,665	5,614,878	26,883,463	12,886,501	9,064,735	--	146,908,887									
Provided during the year	--	4,848,085	9,814,460	831,504	3,098,524	1,904,872	1,978,338	--	22,475,783									
Relating to disposals	--	--	(2,701,261)	--	(9)	(19,974)	--	--	(2,721,244)									
At December 31, 2012	--	49,991,730	54,428,864	6,446,382	29,981,978	14,771,399	11,043,073	--	166,663,426									
Net book value																		
At December 31, 2012	5,383,975	87,761,428	34,986,051	2,011,493	9,873,869	3,993,000	12,538,285	76,599,528	233,147,629									

5. PROPERTY AND EQUIPMENT (CONTINUED)

*Expropriation of land and building*

In July 2013, as part of the government infrastructure, design and urban expansion, the land and building located in Al Khor with a net book value of QR 1,031,009 was sold by the Group to the Government of Qatar represented by Ministry of Municipality and Urban Planning. The total proceeds received from the sale amounted to QR 72,448,630.

The depreciation charged has been allocated in the consolidated statement of profit or loss as follows:

	<u>2013</u>	<u>2012</u>
	QR	QR
Cost of sales	238,545	270,038
Depreciation	<u>32,627,390</u>	<u>22,205,745</u>
	<u>32,865,935</u>	<u>22,475,783</u>

6. INTANGIBLE ASSETS

	<u>2013</u>	<u>2012</u>
	QR	QR
<b>Cost:</b>		
At the beginning of the year	16,085,978	16,085,978
Additions	3,772,567	--
Disposals	<u>(2,095,892)</u>	--
At the end of the year	<u>17,762,653</u>	<u>16,085,978</u>
<b>Accumulated amortisation</b>		
At the beginning of the year	6,173,444	4,241,245
Charge for the year	1,733,251	1,932,199
Disposals	<u>(1,948,440)</u>	--
At the end of the year	<u>5,958,255</u>	<u>6,173,444</u>
Net book value at the end of the year	<u>11,804,398</u>	<u>9,912,534</u>

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

**7. AVAILABLE-FOR-SALE INVESTMENTS**

	<u>2013</u>	<u>2012</u>
	QR	QR
Quoted equity investments	133,682,597	111,231,846
Unquoted equity investments	<u>14,594,064</u>	<u>14,594,064</u>
	<u>148,276,661</u>	<u>125,825,910</u>
<b>Carrying value of available-for-sale investments:</b>		
At cost	141,666,921	121,321,473
Fair value reserve	<u>6,609,740</u>	<u>4,504,437</u>
	<u>148,276,661</u>	<u>125,825,910</u>

**8. BUSINESS COMBINATIONS**

The movement in goodwill is as follows:

	<u>2013</u>	<u>2012</u>
	QR	QR
At January 1	227,028,986	227,028,986
Related to acquisition of business during the year	<u>117,069,012</u>	--
	<u>344,097,998</u>	<u>227,028,986</u>

**Acquisition of Safcer Oman**

Effective from February 1, 2013, the Group acquired the business of five supermarket outlets in the Sultanate of Oman and has taken over certain related assets and assumed liabilities based on estimated fair values on that date. The transaction is accounted for as a business combination in accordance with IFRS 3 "Business Combinations".

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

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**8. BUSINESS COMBINATIONS (CONTINUED)**

The fair values of the identifiable assets and liabilities of the acquired business as at the date of acquisition were:

	<u>QR</u>
<b>Assets</b>	
Property, plant and equipment	2,001,555
Intangible assets (Note (i) )	2,536,918
Inventory	15,410,976
Advance payments and other receivables	694,336
<b>Total assets</b>	<u>20,643,785</u>
<b>Liabilities</b>	
Trade payables	20,289,416
Store rental payable	546,554
Advances received and other payables	90,535
<b>Total liabilities</b>	<u>20,926,505</u>
<b>Identifiable net liabilities assumed</b>	(282,720)
Fair value of purchase consideration	<u>(116,786,292)</u>
<b>Goodwill arising in acquisition</b>	<u>117,069,012</u>
<b>Cash flow on acquisition</b>	
Cost of acquisition	<u>116,786,292</u>

(i) These intangible assets include favourable lease agreements and software systems acquired as part of the acquisition.

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

**8. BUSINESS COMBINATIONS (CONTINUED)**

**Information on prior year acquisition**

On July 13, 2011, the Group acquired 100% of the share capital of Qatar Markets Company W.L.L. and Al Oumara Bakery Company W.L.L. The principal business of the subsidiaries is retail of various types of consumer goods commodities and operating a bakery.

The values assigned to the identified assets and liabilities of Qatar Markets Company W.L.L. as at the date of acquisition are shown below:

	<u>QR</u>
<b>Assets</b>	
Property and equipment	14,825,386
Intangible assets	11,306,372
Inventories	29,074,217
Accounts receivables and prepayments	30,559,068
Cash and cash equivalents	<u>26,173,989</u>
<b>Total assets</b>	<u>111,939,032</u>
<b>Liabilities</b>	
Employees end of service benefits	3,973,302
Accounts payable and accruals	<u>66,398,381</u>
<b>Total liabilities</b>	<u>70,371,683</u>
<b>Identifiable net assets acquired</b>	41,567,349
Goodwill arising on acquisition	<u>227,028,986</u>
Purchase consideration transferred	<u>268,596,335</u>
<b>Cash flow on acquisition</b>	
Cost of acquisition	268,596,335
Less: Cash and cash equivalents in subsidiaries acquired	<u>(26,173,989)</u>
<b>Net cash flow on acquisition</b>	<u>242,422,346</u>

*Allocation of goodwill to cash generating units*

The carrying amount of goodwill has been allocated for impairment testing purposes to the following cash generating unit:

	<u>2013</u>	<u>2012</u>
	<u>QR</u>	<u>QR</u>
Qatar Markets Company W.L.L.	227,028,986	227,028,986
Al Meera Market (Al Safer Oman) – five supermarkets	<u>117,069,012</u>	--
	<u>344,097,998</u>	<u>227,028,986</u>



**AL MEERA CONSUMER GOODS COMPANY Q.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**8. BUSINESS COMBINATIONS (CONTINUED)**

The recoverable amounts of these cash generating units have been determined 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 approved by the management. The forecast EBITDA has been adjusted for changes in working capital and capital expenditure requirements to arrive at free cash flows forecast. The management has used discount rate of 7% (2012: 7%). The cash flows beyond the five-year period have been extrapolated using a 5% (2012: 5%) per annum growth rate which is the projected long term growth rate of the Group.

Other assumptions used in value in use calculations for impairment testing of goodwill are expected rate of increase in revenue, cost 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 recognized in years 2013 and 2012.

**9. INVENTORIES**

	<u>2013</u>	<u>2012</u>
	QR	QR
Finished goods	149,373,149	115,932,977
Inventories consumable and spare parts	360,818	312,651
Less: Allowance for shrinkage and slow moving inventories	<u>(1,185,072)</u>	<u>(226,749)</u>
	<u>148,548,895</u>	<u>116,018,879</u>

The movement in the allowance for shrinkage and slow moving inventories are as follows:

	<u>2013</u>	<u>2012</u>
	QR	QR
At January 1,	226,749	226,749
Increase in allowance recognized during the year	<u>958,323</u>	--
	<u>1,185,072</u>	<u>226,749</u>

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

**10. ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	<u>2013</u>	<u>2012</u>
	QR	QR
Trade receivables	8,153,954	9,460,903
Credit card receivables	4,222,453	3,671,822
Cash margins	--	34,537
Advances to suppliers	16,157,383	10,142,722
Prepayments	12,545,575	7,385,058
Deposits	2,820,725	2,100,026
Staff receivables	1,156,563	789,417
Accrued interest income	2,996,592	244,706
Rent receivables	285,991	920,529
Other receivables	<u>1,403,115</u>	<u>2,677,745</u>
	49,742,351	37,427,465
Less: Allowance for impairment of receivables	<u>(1,812,509)</u>	<u>(1,628,133)</u>
	<u>47,929,842</u>	<u>35,799,332</u>

At December 31, 2013, trade receivables at nominal value of QR 1,812,509 (2012: QR 1,628,133) were impaired.

Movements in the allowance for impairment of trade receivables were as follows:

	<u>2013</u>	<u>2012</u>
	QR	QR
At January 1,	1,628,133	1,609,221
Charge for the year	261,759	105,095
Recovery for the year	<u>(77,383)</u>	<u>(86,183)</u>
	<u>1,812,509</u>	<u>1,628,133</u>

At December 31, the ageing of unimpaired trade receivables is as follows:

	<u>Total</u>	<u>&lt;30 days</u>	<u>Past due but not impaired</u>			
			<u>30-60 days</u>	<u>61-90 days</u>	<u>91-120 days</u>	<u>&gt;120 days</u>
	QR	QR	QR	QR	QR	QR
2013	<u>8,153,954</u>	<u>1,922,705</u>	<u>1,560,516</u>	<u>961,597</u>	<u>1,676,520</u>	<u>2,032,616</u>
2012	<u>9,460,903</u>	<u>1,022,700</u>	<u>3,344,932</u>	<u>1,715,609</u>	<u>254,099</u>	<u>3,123,563</u>

Unimpaired trade receivables are expected to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**11. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at the end of the financial 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:

	<u>2013</u>	<u>2012</u>
	QR	QR
Cash at banks	808,020,778	297,527,330
Cash on hands	<u>1,843,023</u>	<u>914,558</u>
	809,863,801	298,441,888
Time deposits maturing over 90 days	<u>(601,333,699)</u>	<u>(44,923,789)</u>
	<u>208,530,102</u>	<u>253,518,099</u>

Bank deposits are deposited with local banks and mature in more than 3 months and carry an interest ranging from 1% to 1.50% per annum

**12. SHARE CAPITAL**

	<u>2013</u>	<u>2012</u>
	QR	QR
Authorised, issued and fully paid 20,000,000 ordinary shares of QR. 10 each (2012 :10,000,000 ordinary shares)	<u>200,000,000</u>	<u>100,000,000</u>

*Rights Issue*

On February 10, 2013, after obtaining necessary approvals, the Group issued 10 million shares as rights at issue price of QR. 95 per share, upon obtaining approval from the shareholders in the Annual General Meeting held on October 8, 2012.

The Group received a gross premium of QR. 850 million (net premium of QR. 847.77 million) from the rights issue of 10 million shares in February 10, 2013, representing a premium of QR. 85 per share (QR. 84.77 per share net of issuance cost), which was reflected in statutory reserve.

**13. RESERVES****Legal reserve**

In accordance with Qatar Commercial Companies Law No. 5 of 2002, 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. This reserve is not available for distribution except in the circumstances stipulated in Qatar Commercial Companies Law No. 5 of 2002.

In accordance with Article 22 of the Group's Article of Association, the Group transferred the share capital premium from the rights issued amounting to QR 847.77 million to the legal reserve.

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**13. RESERVES (CONTINUED)****Optional reserve**

In accordance with Article 66 of the Group's Articles of Association, upon the 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.

**14. LOANS AND BORROWINGS**

	<u>2013</u>	<u>2012</u>
	QR	QR
Long-term Murabaha Facility	<u>--</u>	<u>408,498,236</u>

The loans represent Murabaha facility obtained from a local bank for an amount of QR 409 million. The effective date of drawdowns was between October 9, 2012 and November 19, 2012. The facility carries a profit rate of 3.5% per annum and is payable in one lumpsum payment on or before 3 years from the drawdown date. The above loan is presented net of unamortized financing arrangement costs. These loans were settled and paid in March 2013.

**15. EMPLOYEES' END OF SERVICE BENEFITS**

	<u>2013</u>	<u>2012</u>
	QR	QR
At January 1,	17,897,797	18,672,256
Provision during the year	4,877,741	4,674,394
Payment during the year	<u>(1,680,504)</u>	<u>(5,448,853)</u>
	<u>21,095,034</u>	<u>17,897,797</u>

**16. ACCOUNTS PAYABLE AND ACCRUALS**

	<u>2013</u>	<u>2012</u>
	QR	QR
Trade payables	267,845,628	196,203,430
Dividends payable	47,572,305	37,243,015
Deferred rent income	1,756,417	1,236,840
Staff bonus	9,229,584	8,759,646
Provision for social and sports activities contribution	4,769,615	4,320,225
Provision for air tickets and leave pay	3,697,274	3,272,812
Accrued expenses	5,976,255	8,665,557
Other payables	<u>29,423,799</u>	<u>54,843,777</u>
	<u>370,270,877</u>	<u>314,545,282</u>

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**17. TAXATION**

	<u>2013</u>	<u>2012</u>
	QR	QR
Current year	--	--
Deferred tax	<u>(490,162)</u>	<u>--</u>
Income tax credit for the year	<u>(490,162)</u>	<u>--</u>

**a) Current tax**

The Group is subject to income tax at the rate of 12% of taxable profits in excess of QR 285,000 (RO 30,000) on its operation in the Sultanate of Oman. Due to tax losses incurred during the year on operations in Sultanate of Oman, no current tax expenses were recognised during the year.

The taxation of the Company is subject to agreement with the Oman Taxation Authorities. However, management believes that additional tax, if any, would not be material to these financial statements.

**b) Deferred tax asset**

The net deferred tax asset amounting to QR 490,162 is based on timing differences between the tax and accounting base of various assets and liabilities of the Group.

Recognised deferred tax asset and liabilities are attributable to the following items:

	<u>At January 1,</u>	<u>Recognised</u>	<u>At December</u>
	2013	income	31, 2013
			QR
Temporary difference relating to:			
Depreciation expense	--	(468,759)	(468,759)
Amortisation of goodwill	--	(1,404,832)	(1,404,832)
Losses carried forward	--	2,363,753	2,363,753
	<u>--</u>	<u>490,162</u>	<u>490,162</u>

**18. DIVIDENDS**

On February 9, 2013, the Board of Directors proposed cash dividend of QR 8 per share amounting to QR 80 million for the shareholders (2012: QR 7 per share amounting to QR 70 million). This has been approved in the AGM held subsequent to that date.

On February 17, 2014, the Board of Directors has recommended a dividend distribution of QR. 8 per share, which distribution is subject to the approval of the Annual General Assembly.

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**19. CONTRIBUTION TO SOCIAL FUND**

In accordance with Law No. 13 of 2008, the Group made an appropriation of profit of QR 4.76 million in 2013 (in 2012: QR 2.49 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.

**20. OTHER INCOME**

	<u>2013</u>	<u>2012</u>
	QR	QR
Dividend income	5,338,503	5,892,508
Gain on sale of available for sale of investments, net	14,881,237	7,501,520
Interest income	7,274,115	1,782,504
(Loss)/gain on sale of property and equipment	(5,792,738)	40,925
Other income	4,364,776	11,781,733
	<u>26,065,893</u>	<u>26,999,190</u>

**21. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2013</u>	<u>2012</u>
	QR	QR
Staff costs	126,678,161	105,315,327
Rent	31,280,087	22,837,970
Water and electricity	9,634,370	7,783,358
Contract labour charges	12,946,341	10,248,498
Consulting and professional fees	5,460,822	5,585,021
Board of Directors remuneration	5,885,263	4,637,140
Bank charges, commission and credit card charges	4,584,425	3,365,640
Repairs and maintenance	6,140,346	3,032,168
Advertisement	3,123,814	2,144,133
Vehicles and insurance expenses	3,495,202	1,656,128
Telephone and post	1,868,667	1,463,020
Printing and stationary	1,016,682	696,798
Donations	101,400	65,300
Travelling expenses	1,675,730	1,844,022
Franchise fee	2,341,218	--
Others	4,168,661	3,321,209
	<u>220,401,189</u>	<u>173,995,732</u>

AL MEERA CONSUMER GOODS COMPANY Q.S.C.  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 For the year ended December 31, 2013

22. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the equity holders for the period by the weighted average number of shares outstanding during the year as follows:

	<u>2013</u>	<u>2012</u>
	QR	QR
Profit attributable to the equity holders for the year	<u>196,123,109</u>	<u>105,755,855</u>
Weighted average number of shares outstanding during the period (i)	<u>19,101,370</u>	<u>11,757,049</u>
<b>Basic and diluted earnings per share</b>	<u><u>10.27</u></u>	<u><u>9.00</u></u>

(i) The weighted average number of shares has been calculated as follows:

	<u>2013</u>	<u>2012</u>
	QR	QR
Qualifying shares at beginning of the year	10,000,000	10,000,000
Effect of rights issue, including bonus element	<u>9,101,370</u>	<u>1,757,049</u>
<b>Weighted average number of shares at the end of the year</b>	<u><u>19,101,370</u></u>	<u><u>11,757,049</u></u>

23. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<u>2013</u>	<u>2012</u>
	QR	QR
<i>Available-for-sale investments</i>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net fair value gain on available for sale investment	3,861,222	5,732,257
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial asset	<u>(1,755,919)</u>	<u>(7,501,520)</u>
	<u><u>2,105,303</u></u>	<u><u>(1,769,263)</u></u>

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

**24. CONTINGENCIES AND COMMITMENTS**

	<u>2013</u>	<u>2012</u>
	<u>QR</u>	<u>QR</u>
Letter of credits	5,862,745	8,731,911
Letter of guarantees	<u>943,974</u>	<u>5,649,448</u>
	<u><b>6,806,719</b></u>	<u><b>14,381,359</b></u>

The Group's contingent liabilities consist of letters of credit and guarantee relating to purchases of goods associated with the Group's existing contracts with certain suppliers.

It is not anticipated that any material liabilities will arise from the letters of credit and guarantees which were issued in the normal course of the business.

**25. COMMITMENTS UNDER OPERATING LEASES**

The Group leases various staff accommodations and premises under annual cancellable operating lease agreements with terms ranging from 2 to 10 years. For non-cancellable operating leases, future minimum lease commitments are as follows:

	<u>2013</u>	<u>2012</u>
	<u>QR</u>	<u>QR</u>
Not later than one year	27,861,029	18,263,769
Later than one year and not later than five years	108,377,721	72,242,815
Later than five years	<u>64,813,826</u>	<u>26,006,146</u>
	<u><b>201,052,576</b></u>	<u><b>116,512,730</b></u>

**26. RELATED PARTY DISCLOSURES**

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

**(i) Related party transactions**

Except for advances made to related parties, there were no significant purchases or sales of goods or services made with related parties.



**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

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**26. RELATED PARTY DISCLOSURES (CONTINUED)**

**(ii) Related party balances**

There were no outstanding related party balances as at December 31, 2013 (2012: Nil).

*a) Transaction with government*

The Government of Qatar holds 26% of the Company's capital. In the normal 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.

*b) Transactions with key management personnel*

The remuneration of directors and other members of key management during the year as follows:

	<u>2013</u>	<u>2012</u>
	QR	QR
Key management remuneration	5,214,221	5,237,260
Board of Directors' remuneration	5,885,263	4,637,140
	<u>11,099,484</u>	<u>9,874,400</u>

**27. SEGMENT INFORMATION**

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

- The retail segment, which comprises the buying and selling of consumer good.
- The investment segment, which comprises equity and funds held as available-for-sale investments, and fixed deposits.
- 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.

## AL MEERA CONSUMER GOODS COMPANY Q.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

## 27. SEGMENT INFORMATION (CONTINUED)

	Retail	Investment	Leasing	Total
	QR	QR	QR	QR
<b>Year ended December 31, 2013</b>				
Sales	1,945,952,216	--	--	1,945,952,216
Cost of sales	(1,626,436,774)	--	--	(1,626,436,774)
<b>Gross profit</b>	<b>319,515,442</b>	<b>--</b>	<b>--</b>	<b>319,515,442</b>
Shops rental income	--	--	36,584,593	36,584,593
Dividend income	--	5,338,503	--	5,338,503
Gain on available for sale investments, net	--	14,881,237	--	14,881,237
Other income	70,012,135	7,274,115	(22,476)	77,263,774
<b>Operating income</b>	<b>389,527,577</b>	<b>27,493,855</b>	<b>36,562,117</b>	<b>453,583,549</b>
General and administrative expenses	(217,779,751)	(10,403)	(2,611,035)	(220,401,189)
Finance costs	(3,690,470)	--	--	(3,690,470)
Depreciation and amortisation	(31,853,758)	--	(2,506,883)	(34,360,641)
<b>Profit before income tax</b>	<b>136,203,598</b>	<b>27,483,452</b>	<b>31,444,199</b>	<b>195,131,249</b>
Income tax credit	490,162	--	--	490,162
<b>Profit for the year</b>	<b>136,693,760</b>	<b>27,483,452</b>	<b>31,444,199</b>	<b>195,621,411</b>

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**27. SEGMENT INFORMATION (CONTINUED)**

	Retail QR	Investment QR	Leasing QR	Total QR
Year ended December 31, 2012				
Sales	1,503,516,973	--	--	1,503,516,973
Cost of sales	(1,247,842,467)	--	--	(1,247,842,467)
Gross profit	255,674,506	--	--	255,674,506
Shops rental income	--	--	32,742,429	32,742,429
Dividend income	--	5,892,508	--	5,892,508
Gain on available for sale investments, net	--	7,501,520	--	7,501,520
Other income	11,822,658	1,782,504	--	13,605,162
Operating income	267,497,164	15,176,532	32,742,429	315,416,125
General and administrative expenses	(173,543,744)	--	(451,988)	(173,995,732)
Finance costs	(12,130,050)	--	--	(12,130,050)
Depreciation and amortisation	(17,814,597)	--	(6,323,347)	(24,137,944)
Profit for the year	64,008,773	15,176,532	25,967,094	105,152,399

The following table presents segmental assets regarding the Group's business segments for the year ended December 31, 2013 and December 31, 2012 respectively:

	Retail QR	Investment QR	Leasing QR	Total QR
Segment assets				
At December 31, 2013	1,645,050,400	137,980,431	12,305,869	1,795,336,700
At December 31, 2012	895,888,858	137,980,431	12,305,869	1,046,175,158

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

**27. SEGMENT INFORMATION (CONTINUED)**

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

	Qatar		Oman		Total	
	2013 QR	2012 QR	2013 QR	2012 QR	2013 QR	2012 QR
Total assets	<u>1,612,501,854</u>	<u>871,508,701</u>	<u>182,834,846</u>	<u>174,666,457</u>	<u>1,795,336,700</u>	<u>1,046,175,158</u>
Total liabilities	<u>336,380,261</u>	<u>702,910,827</u>	<u>54,985,650</u>	<u>38,030,488</u>	<u>391,365,911</u>	<u>740,941,315</u>
	Qatar		Oman		Total	
	2013 QR	2012 QR	2013 QR	2012 QR	2013 QR	2012 QR
Total revenue	<u>1,809,785,464</u>	<u>1,503,516,973</u>	<u>136,166,752</u>	<u>--</u>	<u>1,945,952,216</u>	<u>1,503,516,973</u>
Net income/ (loss)	<u>197,228,624</u>	<u>105,152,399</u>	<u>(1,607,213)</u>	<u>--</u>	<u>195,621,411</u>	<u>105,152,399</u>

**28. FINANCIAL RISK MANAGEMENT****Objective and policies**

The Group's principal financial liabilities comprise accounts payable 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 such as available for sale investments, 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. The management reviews and agrees policies for managing each of these risks, which arise directly from its operations.

**Market risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity prices will affect the Group's income or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

*Interest rate risk*

The Group is exposed to interest rate risk on its floating rate interest-bearing assets (bank deposits). The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant. 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 the year based on the floating rate financial instruments held at December 31, 2013 and 2012. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increase shown.

	<u>Increase in basis points</u>	<u>Effect on profit</u>
2013	+25	1,503,334
2012	+25	112,309

*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.

	<u>Changes in equity prices</u>	<u>Effect on equity</u>
2013		
Available-for-sale investments – quoted	5%	6,684,130
2012		
Available-for-sale investments – quoted	5%	5,561,592

The Group also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of profit or loss and other comprehensive income will be impacted.

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

**28. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Market risk (continued)**

*Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. As the Qatari Riyal is pegged to the 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**

Credit risk is the risk that one party to a financial instrument will fail to discharge on obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances and certain assets as reflected in the consolidated statement of financial position.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits and monitoring outstanding receivables.

With respect to credit risk arising from the financial assets of the Group, including receivables and bank balance, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets in the consolidated statement of financial position.

The table below shows the maximum gross exposure to credit risk for the components of the consolidated statement of financial position.

	<u>2013</u>	<u>2012</u>
	QR	QR
Bank balances	808,020,778	297,527,330
Trade and other receivables	35,384,267	28,414,274
	<u>843,405,045</u>	<u>325,941,604</u>

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial 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 its reputation.

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

	<u>On demand</u>	<u>Less than 1</u>	<u>1-3 years</u>	<u>Total</u>
	QR	year	QR	QR
	QR	QR	QR	QR
2013				
Trade payables	--	267,845,628	--	267,845,628
Dividends payable	47,572,305	--	--	47,572,305
Other payables and accruals	--	43,866,943	--	43,866,943
Loans and borrowings	--	--	--	--
<b>Total</b>	<u>47,572,305</u>	<u>311,712,571</u>	<u>--</u>	<u>359,284,876</u>

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**28. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (continued)**

	On demand	Less than 1 year	1-3 years	Total
	QR	QR	QR	QR
2012				
Trade payables	--	196,203,430	--	196,203,430
Dividends payable	37,243,015	--	--	37,243,015
Other payables and accruals	--	71,102,351	--	71,102,351
Loans and borrowings	--	--	408,498,236	408,498,236
<b>Total</b>	<u>37,243,015</u>	<u>267,305,781</u>	<u>408,498,236</u>	<u>713,047,032</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 stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 14, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings as disclosed in notes 12 and 13 respectively.

Gearing ratio

The gearing ratio at year end was as follows:

	2013	2012
	QR	QR
Debt (i)	--	408,498,236
Cash and bank balances	--	(298,441,888)
Net debt	--	110,056,348
Equity (ii)	--	305,233,843
Net debt to equity ratio	--	0.36

(i) Debt is defined as long-term debt, as detailed in note 14

(ii) Equity includes all capital and reserves of the Company that are managed as capital

**AL MEERA CONSUMER GOODS COMPANY Q.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**29. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets and financial liabilities.

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

The fair values of the financial assets and liabilities, with the exception of certain unquoted available-for-sale investments carried at cost, are not materially different from their carrying values.

**Fair value hierarchy**

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

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.

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

	<i>December 31, 2013</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>
Available-for-sale investments				
-Quoted shares	<u>133,682,597</u>	<u>133,682,597</u>	<u>-</u>	<u>-</u>
	<i>December 31, 2012</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>
Available-for-sale investments				
-Quoted shares	<u>111,231,846</u>	<u>111,231,846</u>	<u>-</u>	<u>-</u>

Available-for-sale investments amounting to QR 14,594,064 (2012: 14,594,064) are carried at cost since the fair value cannot be reliably determined by the management.

During the year ending December 31, 2013, 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.