

AL MEERA CONSUMER GOODS COMPANY Q.P.S.C.
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	2018 QR	2018 QR
Sales	2,985,153,270	2,995,961,214
Cost of sales	(2,466,540,264)	(2,499,536,685)
Gross profit	518,613,006	496,424,529
Rental income	74,778,270	75,842,670
Other income	14,916,910	14,413,076
General and administrative expenses	(292,465,795)	(333,017,324)
Depreciation and amortisation	(111,212,125)	(66,086,214)
Share of loss of an associate	(1,533,374)	(1,853,432)
Finance costs	(17,758,681)	(3,175,016)
Profit before tax	185,338,211	182,548,289
Income tax benefit / (expense)	229,029	(68,229)
Profit for the year	185,567,240	182,480,060
Attributable to:		
Equity holders of the parent	186,587,482	182,393,172
Non-controlling interests	(1,020,242)	86,888
	185,567,240	182,480,060
Earnings per share		
Basic and diluted earnings per share attributable to equity holders of the parent	0.93	0.91

AL MEERA CONSUMER GOODS COMPANY Q.P.S.C. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2019 QR	2018 QR
Profit for the year	185,567,240	182,480,060
Other comprehensive income		
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss</i>		
Net change in the fair value of financial assets at fair value through other comprehensive income	12,579,861	20,336,327
Total comprehensive income for the year	198,147,101	202,816,387
Attributable to:		
Equity holders of the parent	199,167,343	202,729,499
Non-controlling interests	(1,020,242)	86,888
	198,147,101	202,816,387

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	2019 QR	2018 QR
ASSETS		
Non-current assets		
Property and equipment	1,124,577,616	1,122,876,210
Right-of-use assets	223,397,648	--
Goodwill	344,097,998	344,097,998
Intangible assets	2,731,515	4,292,266
Financial assets at fair value through other comprehensive income	268,778,129	145,415,332
Deferred tax assets	103,151	--
Investment in associates	--	98,497
Total non-current assets	1,963,686,057	1,616,780,303
Current assets		
Inventories	207,217,798	195,860,677
Trade and other receivables	61,590,669	61,871,756
Amounts due from related parties	16,679,504	13,902,210
Bank balances and cash	296,580,504	512,520,490
Total current assets	582,068,475	784,155,133
TOTAL ASSETS	2,545,754,532	2,400,935,436
EQUITY AND LIABILITIES		
Equity		
Share capital	200,000,000	200,000,000
Legal reserve	901,289,603	901,289,603
Optional reserve	21,750,835	21,750,835
Fair value reserve	229,617	(6,089,426)
Retained earnings	310,129,318	291,734,009
Equity attributable to equity holders of the parent	1,433,399,373	1,408,685,021
Non-controlling interests	40,183,925	41,204,167
Total equity	1,473,583,298	1,449,889,188
Non-current liabilities		
Loans and borrowings	181,641,159	219,990,753
Lease liabilities	176,578,567	--
Employees' end of service benefits	37,455,701	34,297,992
Retentions payable	2,944,716	812,689
Deferred tax liability	--	276,070
Total non-current liabilities	398,620,143	255,377,504
Current liabilities		
Trade and other payables	585,125,684	682,590,679
Lease liabilities	49,939,296	--
Loans and borrowings	38,486,111	13,078,065
Total current liabilities	673,551,091	695,668,744
Total liabilities	1,072,171,234	951,046,248
TOTAL EQUITY AND LIABILITIES	2,545,754,532	2,400,935,436

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 QR	2018 QR
OPERATING ACTIVITIES		
Profit before tax	185,338,211	182,548,289
Adjustments for:		
Depreciation and amortisation	111,212,125	66,086,214
Interest income	(3,644,956)	(4,813,592)
(Reversal of) / provision for loss allowance	(2,239,456)	1,960,715
Provision for employees' end of service benefits	6,918,055	7,620,647
Allowance for obsolete and slow moving inventories - net	1,344,691	2,407,677
Share in loss of an associate	1,533,374	1,853,432
Loss on disposal of property and equipment	839	60,456
Dividend income	(8,467,827)	(7,140,066)
Finance costs	17,758,681	3,175,016
Operating profit before changes in working capital	309,753,737	253,758,788
Working capital changes:		
Inventories	(12,701,812)	(1,750,751)
Trade and other receivables	(1,622,566)	1,133,196
Amounts due from related parties	(2,568,939)	(3,340,123)
Trade and other payables	(98,618,634)	39,359,415
Cash flows from operating activities	194,241,786	289,160,525
Employees' end of service benefits paid	(3,760,346)	(4,811,872)
Payment of contribution to social and sports fund	(4,381,328)	(4,665,166)
Net cash flows from operating activities	186,100,112	279,683,487
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(272,373,253)	(193,999,071)
Proceeds from sale of financial assets at fair value through other comprehensive income	161,590,317	198,668,551
Purchase of property and equipment	(64,976,840)	(84,639,837)
Proceeds from disposal of property and equipment	33,041	68,217
Purchase of intangible assets	(68,850)	--
Net movement in deposits maturing after 90 days	37,816,000	(32,116,000)
Net movement in restricted bank accounts	(589,395)	(3,628,280)
Dividends received	8,467,827	7,140,066
Interest received	4,435,612	3,709,751
Net cash flows used in investing activities	(125,665,541)	(104,796,603)
FINANCING ACTIVITIES		
Dividends paid	(164,753,983)	(167,039,716)
Net movement in loans and borrowings	(13,084,405)	111,410,396
Repayment of principal portion of lease liabilities	(35,035,975)	--
Repayment of interest portion of lease liabilities	(12,933,345)	--
Finance costs paid	(13,314,094)	(3,175,016)
Net cash flows used in financing activities	(239,121,802)	(58,804,336)
Net (decrease) / increase in cash and cash equivalents	(178,687,231)	116,082,548
Cash and cash equivalents at 1 January	385,629,569	269,547,021
Cash and cash equivalents at 31 December	206,942,338	385,629,569

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

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Meera Consumer Goods Company Q.P.S.C (the “Parent Company”) and its subsidiaries (together referred to as the “Group”) which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 24 February 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How our audit addressed the key audit matter
Impairment of goodwill <p>As at 31 December 2019, the carrying value of goodwill amounted to QR. 344 million, or 14% of total assets as disclosed in Note 11.</p> <p>In accordance with IAS 36, Impairment of Assets, an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.</p> <p>An impairment is recognised on the consolidated statement of financial position when the recoverable amount is less than the net carrying amount in accordance with IAS 36, as described in Note 11 to the consolidated financial statements. The determination of the recoverable amount is mainly based on discounted future cash flows.</p> <p>We considered the impairment of goodwill to be a key audit matter, given the method for determining the recoverable amount and the significance of the amount in the Group’s consolidated financial statements.</p>	<p>We tested the impairment models and the key assumptions used by management with the involvement of our valuation specialists. Our audit procedures included the following:</p> <ul style="list-style-type: none">Understanding the business process for the impairment assessment, identifying the relevant internal controls and testing their design, implementation and operating effectiveness of controls over the impairment assessment process, including indicators of impairment.Evaluating whether the cash flows in the models used by management to calculate the recoverable value are reasonable and are in accordance with the requirements of IFRSs.Obtaining and analyzing the business plans for each such asset (or CGU, as applicable) to assess the accuracy of the computations and the overall reasonableness of key assumptions;Assessing the methodology used by the Group to estimate the Weighted Average Cost of Capital (WACC); <p>We performed sensitivity analysis on the key assumptions used by management to understand the extent to which these assumptions need to be adjusted before resulting in additional impairment loss.</p> <p>We assessed the overall presentation, structure and content of the related disclosures in notes 4 and 11 to the consolidated financial statements against the requirements of IFRSs.</p>
Revenue recognition <p>Revenue recognition from sales of goods to retail customers, is recognized when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods. Revenue is measured at fair value of consideration received or receivable, taking into account the contractually agreed terms of payment.</p> <p>Revenue recognition is considered a significant risk given the complexity of the IT systems involved, the high volume of transactions and changes caused by price updates and promotional offers affecting the various products and services offered.</p> <p>Revenue for the year is disclosed in note 5 to the consolidated financial statements.</p>	<p>We have inquired with sales, marketing department, and other process owners to understand the critical path of sales process.</p> <p>We have performed audit procedures, which were a combination of substantive testing and tests of controls.</p> <p>We considered the appropriateness of the Group’s revenue recognition accounting policies, including the recognition and classification criteria. Due to the high reliance of revenue recognition on information technology systems, we evaluated the integrity of the general IT control environment and tested the operating effectiveness of key IT application controls.</p>
First-time adoption of IFRS 16 Leases <p>The Group adopted IFRS 16 Leases with effect from 1 January 2019, which resulted in changes to the accounting policies. The Group has elected not to restate comparative information in accordance with the transitional provisions contained within IFRS 16</p> <p>The impact of IFRS 16 is a change in the accounting policy for operating leases. This change in accounting policy results in right-of-use assets and lease liabilities being recognised in the consolidated statement of financial position. The incremental borrowing rate (“IBR”) method has been applied where the implicit rate in a lease is not readily determinable.</p> <p>The adoption of IFRS 16 has resulted in changes to processes, systems and controls.</p> <p>Because of the number of judgments which have been applied and the estimates made in determining the impact of IFRS 16, this area is considered as a key audit matter.</p> <p>The transitional impact of IFRS 16 has been disclosed in Note 2 to the consolidated financial statements.</p>	<p>We assessed the design and implementation of key controls pertaining to the application of IFRS 16.</p> <p>We assessed the appropriateness and reasonableness of key assumptions, judgments and inputs used in the application of the standard.</p> <p>We verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contracts or other supporting information and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment.</p> <p>We considered the completeness of the lease data by reviewing other related accounts, reading other relevant information and by considering if we had knowledge of any other contracts which may contain a lease.</p> <p>We determined if the disclosures made in the consolidated financial statements pertaining to leases, including disclosures relating to the transition to IFRS 16, were in compliance with IFRSs.</p>

Other Information

Management is responsible for the other information. The other information comprises the Director’s report, which will be available for us after the date of this auditors’ report.

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

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

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

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

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Further, as required by the Country Commercial Companies Law, we report the following:

- We are also in the opinion that proper books of account were maintained by the Group, physical inventory verification has been duly carried out and the contents of the director’s report are in agreement with the Group’s financial statements.
- We obtained all the information and explanations which we considered necessary for our audit.
- To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies’ Law and the Company’s Articles of Associations were committed during the year which would materially affect the Group’s financial position and performance.

Doha -Qatar
19 February 2020

For Deloitte & Touche
Qatar Branch

Midhat Salha
Partner
License No.257
QFMA Auditor License No.120156