

**Al Eid Food Company
K.S.C. (Public)
Kuwait**

**Financial statements
for the financial year ended December 31, 2020
with
Independent auditors' report**

**Al Eid Food Company
K.S.C. (Public)
Kuwait**

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Independent auditors' report**

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**The Shareholders,
Al Eid Food Company
K.S.C. (Public)
Kuwait**

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Al Eid Food Company - K.S.C. - (Public) which comprise the statement of financial position as of December 31, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Al Eid Food Company - K.S.C. - (Public) as of December 31, 2020, and its financial performance and its cash flows for the financial 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 Auditors' Responsibilities for the Audit of the Financial Statements" section of our report on the audit of financial statements. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and accordingly we do not provide a separate opinion on these matters. Our description of how our audit addressed each matter is provided below.

We have identified the following key audit matters:

Trade receivables

The trade receivables are considered to be a key audit matter for the company. As a result of the fundamental judgments relevant to calculating expected credit losses, the evaluation of expected credit losses is a key matter. Our focus is to determine the amounts recovered from some trade receivables, as the determination of those amounts may include important estimations based on several assumptions. The accounting policies related to trade receivables and the impairment in their value are mentioned in note (3/5) to the financial statements.

As a part of audit procedures, we examined among other procedures reasonable samples from trade receivables balances also we carried out the following procedures:

- We reviewed the aging of trade receivables.
- We reviewed the expected credit losses models used by the management to determine impairment.
- We tested both current and historical input data utilized, and reviewed the assumptions used to calculate expected credit losses.

Other information included in the Board of director Report

Other information consists of the information included in the Board of director Report, other than the financial statements and auditors' report thereon. Management is responsible for the other information. We expect to obtain the annual report after the date of auditors' report.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements of the company

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the preparation of financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 risks 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance among other matters, regarding 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our 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

Furthermore, in our opinion, proper books of account have been kept by the Company, physical counting was carried out in accordance with recognized practices, the financial statements together with the financial contents of the report of the Board of Directors are in accordance therewith. Also, we have obtained the information and explanations that we required for the purpose of our audit and the financial statements incorporate the information that is required by the Companies' Law no. 1 of year 2016, and its Executive Regulations, as amended, law no. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its Executive Regulations and the Company's Articles of incorporation and Memorandum of Association, as amended. According to the information available to us, there were no violations have occurred of either the Companies' Law no. 1 of year 2016, and its Executive Regulations, as amended, law no. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its Executive Regulations or the Company's Articles of incorporation and Memorandum of Association, as amended during the financial year ended December 31, 2020 that might have had a material effect on the Company's business or its financial position.



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Kuwaiti Accountant Auditing
A member of H.L.B International

March 1, 2021



Kuwaiti Accountant Auditing
CERTIFIED PUBLIC ACCOUNTANTS

Al Eid Food Company
K.S.C. (Public)
Kuwait

Statement of financial position as of December 31, 2020
"All amounts are in Kuwaiti Dinar"

	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents	5	812,037	562,162
Accounts receivable and other debit balances	6	13,977,827	13,016,685
Inventory	7	11,432,324	10,566,307
		<u>26,222,188</u>	<u>24,145,154</u>
Non-current assets			
Intangible assets	9	61,626	70,126
Property and equipment	10	312,452	445,617
		<u>374,078</u>	<u>515,743</u>
Total assets		<u>26,596,266</u>	<u>24,660,897</u>
Liabilities and equity			
Current liabilities			
Murabahat payables	11	3,529,536	5,156,896
Accounts payable and other credit balances	12	524,096	435,132
		<u>4,053,632</u>	<u>5,592,028</u>
Non-current liabilities			
Murabahat payables	11	2,730,208	854,112
Provision for end of service indemnity		316,318	291,973
		<u>3,046,526</u>	<u>1,146,085</u>
Equity			
Share capital	13	12,054,706	10,045,588
Statutory reserve	14	1,846,520	1,681,857
Voluntary reserve	15	916,736	752,073
Retained earnings		4,678,146	5,443,266
		<u>19,496,108</u>	<u>17,922,784</u>
Total liabilities and equity		<u>26,596,266</u>	<u>24,660,897</u>


Fahed Saud Al Mutairy
Chairman

Abdullah Saud Al Mutairy
Vice Chairman

The accompanying notes form an integral part of these financial statements.

Al Eid Food Company
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**Statement of profit or loss and other comprehensive income for the financial year ended
 December 31, 2020**

"All amounts are in Kuwaiti Dinar"

	Note	2020	2019
Revenue			
Sales		17,502,306	17,881,264
Cost of sales	16	(14,752,694)	(15,097,317)
Gross profit		2,749,612	2,783,947
Other income		128,709	111,815
Total revenue		2,878,321	2,895,762
Expenses and other charges			
General and administrative expenses	17	560,134	615,169
Finance charges		471,439	483,623
Depreciation and amortization		141,665	141,665
Provisions		58,455	74,739
Total expenses and other charges		1,231,693	1,315,196
Net profit for the year before KFAS, Zakat and National Labour Support Tax		1,646,628	1,580,566
Contribution to Kuwait Foundation for the Advancement of Science		(14,820)	(14,225)
Zakat		(16,710)	(16,217)
National Labour Support Tax		(41,774)	(40,542)
Net profit for the year		1,573,324	1,509,582
Other comprehensive income		-	-
Total comprehensive income		1,573,324	1,509,582
Earning per share/(Fils)	18	13.05	12.52

The accompanying notes form an integral part of these financial statements.

Al Eid Food Company
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Statement of changes in equity for the financial year ended December 31, 2020
"All amounts are in Kuwaiti Dinar"

	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Total
Balance at January 1, 2019	10,045,588	1,523,800	594,016	4,249,798	16,413,202
Net profit for the year	-	-	-	1,509,582	1,509,582
Transferred to reserves	-	158,057	158,057	(316,114)	-
Balance at December 31, 2019	10,045,588	1,681,857	752,073	5,443,266	17,922,784
Balance at January 1, 2020	10,045,588	1,681,857	752,073	5,443,266	17,922,784
Issue of bonus shares (Note - 13)	2,009,118	-	-	(2,009,118)	-
Net profit for the year	-	-	-	1,573,324	1,573,324
Transferred to reserves	-	164,663	164,663	(329,326)	-
Balance at December 31, 2020	12,054,706	1,846,520	916,736	4,678,146	19,496,108

The accompanying notes form an integral part of these financial statements.

Al Eid Food Company
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Statement of cash flows for the financial year ended December 31, 2020
"All amounts are in Kuwaiti Dinar"

	Note	2020	2019
Cash flows from operating activities			
Net profit for the year		1,573,324	1,509,582
Adjustments:			
Depreciation and amortization		141,665	141,665
Expected credit losses		-	15,000
Provision for end of service indemnity		24,345	26,114
Finance charges		471,439	483,623
Operating profit before calculating the effect of changes in working capital items		2,210,773	2,175,984
Accounts receivable and other debit balances		(961,142)	(949,467)
Inventory		(866,017)	(1,013,114)
Accounts payable and other credit balances		88,964	72,284
Net cash generated from operating activities		472,578	285,687
Cash flows from financing activities			
Murabahat payables		248,736	498,375
Finance charges paid		(471,439)	(483,623)
Net cash (used in)/ generated from financing activities		(222,703)	14,752
Net increase in cash and cash equivalents		249,875	300,439
Cash and cash equivalents at beginning of the year		562,162	261,723
Cash and cash equivalents at end of the year	5	812,037	562,162

The accompanying notes form an integral part of these financial statements.

Al Eid Food Company**K.S.C. (Public)****Kuwait****Notes to the financial statements for the financial year ended December 31, 2020***"All amounts are in Kuwaiti Dinar unless stated otherwise"***1- Incorporation and activities**

Al Eid for General Trading and Contracting Company (Abdullah Saud Murdy Al Mutaury and Partners) was incorporated as W.L.L Company in accordance with the Articles of Association dated on March 4, 1994 and subsequent amendments.

The legal entity of the company has been transferred from (limited liability company) to a shareholding company (Public), under the name of Al Eid Food Company as per the Articles of Association dated on June 2, 2004 by transferring all assets and obligations to the new company based on evaluation made by an independent expert. Many changes on the company's commercial register, the last of which dated on September 7, 2020 as indicated in detail in note (13).

The objectives for which the company was established are:

- Managing and operating all works related to nutrition supplies in restaurants, hospitals, schools, universities, companies, factories and military camps, parks, commercial and residential complexes, clubs, institutes, entertainment cities, guest houses, residential houses, theaters, cinemas, recreational, sports and tourism projects and shops in various grades and levels including all indigenous and assistance services and facilities thereto and other necessary services, whether directly or to the benefit of others.
- Making food and beverages, foodstuffs and other consumables (after the approval of the General Authority of Industry), importing, selling, storing, packaging and distributing them in the manner that the company deems appropriate, wholesale or retail.
- Opening and managing restaurants, including fast-food restaurants.
- Purchasing and importing devices, supplies and equipment necessary for the implementation of the objectives of the company.
- Representation of companies and participation in similar tenders for these purposes.
- Ownership of movables and real estate for the performance of its activities to acceptable limits in accordance with the law.
- Utilizing the financial surpluses that available to the company through investing them in financial portfolios managed by specialized companies and authorities.

The company may conduct the previous mentioned business objectives inside and outside the State of Kuwait by itself or as an agent.

The company has the right to participate or subscribe in any way, in other institutions which operate in the same field or those which would assist in achieving its objectives in Kuwait or abroad and to construct, participate or purchase these institutions or join them.

The registered address of the company is: Ardiya – P.O. Box 41081, Postal Code 85851 Kuwait.

The company is owned directly by percentage of 51% by Dalqan Holding Company K.S.C. (Holding).

These financial statements were authorized for issue by the Board of Directors on March 1, 2021.

The Shareholders' General Assembly has the authority to amend these financial statements after their issuance.

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

2/1) New standards and amendments effective from 1 January 2020

- **Amendments to IFRS 3: Definition of a Business**

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, and add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments apply prospectively to transactions or other events that occur on or after the date of first application, therefore, the Company will not be affected by these amendments on the date of transition.

- **Amendments to IAS 1 and IAS 8: Definition of Material**

In October 2018, the IASB issued amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

The amendments to the definition of material are not expected to have a significant impact on the company's financial statements.

- **Impact of the initial application of Covid-19- Related Rent concessions Amendment to IFRS 16**

In May 2020, the IASB issued Covid-19- Related Rent concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a Covid-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.,
- b) Any reduction in lease payments affects only payments originally due on or before June 30, 2021(a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2021 and increased lease payments that extend beyond June 30, 2021)., and

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- c) There is no substantive change to other terms and conditions of the lease.

There is no impact for this amended on the financial statements of the Company.

2/2) New and amended standards not yet effective, but available for early adoption

The new and amended standards and interpretations those are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below:

- **Amendments to IAS 1 – Classification of Liabilities as Current or Non-current**

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are retrospectively effective for annual periods beginning on or after 1 January 2023, with early application permitted.

- **Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- **Other standards whose application isn't expected to have an impact on the Company's financial statements when they become effective as follows:**

Effective date	Description
January 1, 2021	<ul style="list-style-type: none"> • Interest Rate Benchmark Reform – phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
January 1, 2022	<ul style="list-style-type: none"> • Onerous Contracts – cost of Fulfilling a Contract (Amendments to IAS37) • Annual Improvements to IFRS Standards 2018 - 2020 • Property, plant and Equipment: proceeds before intended use (Amendments to IAS 16) • Reference to the Conceptual Framework (Amendments to IFRS 3)
January 1, 2023	<ul style="list-style-type: none"> • IFRS 17 "Insurance Contracts"
Amendments whose effective date not determined yet	<ul style="list-style-type: none"> • Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

3- Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below:

3/1) Basis of the financial statements preparation

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and State of Kuwait Companies' Law requirements and subsequent amendments.
- The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements of "the Company" for the last financial year.
- These financial statements are prepared under the historical cost basis of following the accrual basis. These financial statements have been presented in Kuwaiti Dinars.
- The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to these financial statements are disclosed in note (4).

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3/2) Recognition and de-recognition of financial assets and liabilities

A financial assets or a financial liability is recognized when the Company become a party to the contractual provisions of the instrument. A financial asset is de-recognized either when the contractual rights to cash flows from the financial asset expire, the Company has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards, but no longer has control over the asset. A financial liability is de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

3/3) Financial liabilities/equity

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

3/4) Cash and cash equivalents

Cash on hand and time deposits with banks whose original maturities do not exceed three months, net of bank overdrafts are classified as cash and cash equivalents in the statement of cash flows.

3/5) Trade receivable

Trade receivables are stated at their nominal value, less the allowance for any doubtful debts. The Company always measures the loss allowance for impairment for trade receivables at an amount equal to lifetime ECL.

3/6) Inventory

Inventory is valued at the lower of cost and net realizable value after making allowance for any slow moving and obsolete stocks. Cost is determined on first in first out method. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

3/7) Intangible assets

Identifiable non-monetary assets acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets. Intangible assets with indefinite useful lives are not subject to amortization and are tested at least annually for impairment.

Intangible assets are amortized on a straight - line basis over their estimated useful life, over 10 years.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows for the purpose of assessing impairment. If there is an indication that the carrying value of an intangible assets is greater than its recoverable amount, it is written down to its recoverable amount and the resultant impairment loss taken to the statement of profit or loss and other comprehensive income.

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3/8) Property and equipment

Property and equipment are stated at the historical cost less accumulated depreciation. The realizable value of property and equipment are reviewed at each financial position date to determine whether the book value exceeds the realizable value in which case the book value is written down to the realizable value. If the useful lives are different from estimated lives of those assets, then the useful lives are adjusted from the beginning of the year in which the change occurred in without going into retroactive periods.

The profits or losses of selling the property and equipment recognised in the Statement of profits or losses and other comprehensive income at the difference between the selling of value and the net book value.

Property and equipment are depreciated on straight-line basis to reduce the value to its residual value over their estimated useful lives as follows:

Buildings	20 years
Machinery and equipment	5 years
Vehicles	5 years
Decorations	5 years

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these properties, on the same basis as other property and equipment, commences when the properties are ready for their intended use.

3/9) Impairment

Non-derivative financial assets

Financial assets, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor will enter bankruptcy; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortized cost

The financial assets at amortised cost comprise of trade receivables and cash at bank under IFRS 9 and loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables, contracts assets and all lease receivables that result from transactions that are within the scope of IAS 17 with an amount equal to lifetime ECLs.

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When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and information on credit risk assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due. The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising the guarantee (if any is held); or
- the financial asset is more than 365 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured with the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses the financial assets carried at amortised cost. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables are presented under general and administrative expenses in the statement of profit or loss.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (property and equipment and property investment) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the CGU.

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An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3/10) Murabahat payables

Murabahat payables are recognized with the value of contracts received net of cost of transaction. Subsequently Murabahat are measured at the amortized cost provided that the difference between the net receivables and the amount to be settled will be charged to the Statement of profit or loss and other comprehensive income for the period covering that finance by the effective cost method.

3/11) Accounts payable

Accounts payable are stated at their nominal value.

3/12) Provision for end of service indemnity

Provision for staff end of service indemnity has been made as per the Labour Law in the private sector and signed contracts on the assumption of ending the services of all staff at the financial position date. This obligation is not funded. The management expects that based on this method of calculation a reasonable estimate is made of the obligation of the company towards employees indemnity for past and current periods.

3/13) Equity and reserves

- Share capital represents the nominal value of shares that have been issued and paid up.
- Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the company's articles of association.
- Retained earnings include all current and prior period profits and losses. All transactions with owners of the parent company are recorded separately within equity.

3/14) Revenue recognition

- Revenue is recognized either at a certain time or over time when the Company meets performance obligations by transferring goods or services to its customers. The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognized either at a certain time or over time when the Company meets performance obligations by transferring goods or services to its customers. The Company recognizes contract obligation for amounts received in respect of unsatisfactory performance obligations and provides these, if any, as other liabilities in the statement of financial position. Similarly, if the Company fulfills a performance obligation before it receives the consideration, the Company recognizes either the origin of the contract or receivable, if any, in its statement of financial position, depending on whether there is anything other than the time required before the amounts are due.
- Other categories of income are recognized when earned, at the time the related services are rendered and/ or on the basis of the terms of the contractual agreement of each activity.

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3/15) Borrowing costs

- Interest on loans and facilities is calculated on the accrual basis and is recognized in the Statement of profit or loss in the period in which it is incurred.
- Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset. The capitalized borrowing costs should commence when expenditures for the asset have been incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.
- Borrowing costs that are not directly attributable to a qualifying asset are recognized as an expense in the period in which they are incurred.

3/16) Provisions

Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of the 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 reviewed at each financial position date and adjusted to reflect the current best estimate.

3/17) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the financial position only when there is a legally enforceable right to set off the recognized amounts and the management intends to settle on a net basis so as to realize the assets and liabilities simultaneously.

3/18) Foreign currencies

The functional currency of the company is the Kuwaiti Dinar ("KD") and accordingly, the Financial statements are presented in KD. Transactions denominated in foreign currencies are translated into KD at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into KD at rates of exchange prevailing at the financial position date. The resultant exchange differences are taken to the Statement of profit or loss and other comprehensive income.

3/19) Kuwait Foundation for the Advancement of Science

The Company's contribution to KFAS is recognized as an expense and is calculated as 1% of profit after transfer to statutory reserve and before Board of Directors' remuneration, National Labour Support Tax and Zakat.

3/20) Zakat

The Company's contribution to Zakat is recognized as an expense and is calculated in accordance with Minister of Finance resolution No. 58/2007 and 46/2006.

3/21) National Labour Support Tax

The Company's contribution to NLST is recognized as an expense and is calculated in accordance with Minister of Finance resolution No. 24/2012 and law number 19/2000.

3/22) Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote, contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Al Eid Food Company**K.S.C. (Public)****Kuwait****Notes to the financial statements for the financial year ended December 31, 2020***"All amounts are in Kuwaiti Dinar unless stated otherwise"***4- Critical accounting judgments and key sources of estimation uncertainty**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these financial statements, as actual results could differ from these estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Judgments and estimates that are significant to the financial statements are shown below:

Judgments*Contingent liabilities/liabilities*

Contingent liabilities arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any contingent liabilities is based on management's judgment.

Key sources of estimation uncertainty*Impairment of tangible and intangible assets and useful lives*

The Company's management tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies stated in note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Company's management determines the useful lives and related depreciation and amortisation charge. The depreciation and amortisation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

5- Cash and cash equivalents

	2020	2019
Cash on hand	82,375	73,345
Current accounts at banks	729,662	488,817
	<u>812,037</u>	<u>562,162</u>

6- Accounts receivable and other debit balances

	2020	2019
Trade receivables	11,440,374	10,632,928
Provision for doubtful debts	(465,820)	(465,820)
	<u>10,974,554</u>	<u>10,167,108</u>
Cheques under collection	2,959,001	2,778,115
Refundable deposits	44,272	71,462
	<u>13,977,827</u>	<u>13,016,685</u>

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Trade receivables ageing was as follows:

2020					
During 30 days	30-60 days	60-90 days	90-120 days	<120 days	Total
1,477,793	2,886,942	1,398,843	1,714,041	3,962,755	11,440,374

2019					
During 30 days	30-60 days	60-90 days	90-120 days	<120 days	Total
1,043,114	2,969,621	1,413,760	1,224,011	3,982,422	10,632,928

For risk profiling purpose, the Company has segregated its receivables and other debit balances portfolio into two subgroups namely, 'receivables from corporates and 'receivables from individuals' based on the historical credit loss and recovery patterns from the customers.

The following table shows the movement in lifetime ECL that has been recognised for receivables and other debit balances in accordance with the simplified approach set out in IFRS 9.

	2020		
	Receivables from corporates	Receivables from individuals	Total
Balance at beginning of the year	327,902	137,918	465,820
Balance at the end of the year	327,902	137,918	465,820

	2019		
	Receivables from corporates	Receivables from individuals	Total
Balance at beginning of the year	312,902	137,918	450,820
ECL charged for the year	15,000	-	15,000
Balance at the end of the year	327,902	137,918	465,820

The maximum exposure to credit risk at the statement of financial position date is disclosed in note 22 to these financial statements. The other classes within receivables and other receivables are neither past due nor impaired.

7- Inventory

	2020	2019
Ending inventory	6,984,379	6,696,155
Provision for slow moving goods	(114,460)	(114,460)
	6,869,919	6,581,695
Goods in transit	4,562,405	3,984,612
	11,432,324	10,566,307

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8- Transactions with related parties

Transactions with related parties represent transactions with shareholders, Board of Directors Members, the company's key management personnel, their families and companies in which they own significant shares or significantly influenced by them. The terms and the conditions of these transactions are approved by the Company's Board of Directors. The related parties' transactions are subject to the approval of the shareholders' General Assembly.

The company is owned directly by percentage of 51% by Dalqan Holding Company K.S.C. (Holding).

The balances and transactions with related parties which are included in the financial statements are as follows:

Statement of financial position

Statement of financial position does not include any balances with related parties.

Statement of profit or loss and other comprehensive income

Remunerations and benefits for key management personnel:

	<u>2020</u>	<u>2019</u>
Salaries and other benefits	24,000	24,000

9- Intangible assets

This item represents key money that have been amortized over its estimated useful life of 10 years are as follows:

	<u>2020</u>	<u>2019</u>
Cost		
Balance at January 1	444,017	444,017
Balance at December 31	444,017	444,017
Accumulated amortization		
Balance at January 1	373,891	365,391
Charged for the year	8,500	8,500
Balance at December 31	382,391	373,891
Net book value at December 31	<u>61,626</u>	<u>70,126</u>

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10- Property and equipment

	Machinery and equipment			
	Buildings	Vehicles	Decorations	Total
Cost				
Balance at January 1, 2020	900,000	359,150	166,106	1,736,417
Balance at December 31, 2020	900,000	359,150	166,106	1,736,417
Accumulated depreciation				
Balance at January 1, 2020	720,000	278,806	140,509	1,290,800
Charged for the year	45,000	39,186	7,691	133,165
Balance at December 31, 2020	765,000	317,992	148,200	1,423,965
Net book value				
At December 31, 2020	135,000	41,158	17,906	312,452
At December 31, 2019	180,000	80,344	25,597	445,617

- The buildings are mortgaged against Murabahat (note -11).

- The fair value of the buildings at the end of the year was amounted to KD 1,493,000 which was evaluated based on Two evaluations by two independent evaluators as one of them is a local bank. The accounting policies relevant to the buildings were mentioned note (3/8) to the financial statements.

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11- Murabahat payables

This item represents the value of Murabahat with islamic financial institutions.

The installments which are due within a year from the financial position date are classified as current liabilities and those which are due afterwards are classified as non-current liabilities as follows:

	2020	2019
Current portion	3,529,536	5,156,896
Non-current portion	2,730,208	854,112
	<u>6,259,744</u>	<u>6,011,008</u>

Effective cost rate is ranging from 6 % to 6.5 % on the financial position date (2019: 7% to 7.5%).

Murabahat is secured by personal and solidarity guarantee of the shareholders (Dalqan Holding Company K.S.C (Holding)) and also by mortgage of the company's building located in Ardiya Area and mortgage of shares owned by related parties.

12- Accounts payable and other credit balances

	2020	2019
Provision for staff leave	49,285	33,625
KFAS	90,703	75,883
Zakat	113,869	97,159
National Labour Support Tax	270,239	228,465
	<u>524,096</u>	<u>435,132</u>

13- Share capital

The authorized, issued and full paid-up capital is KD 12,054,706 distributed on 120,547,056 shares with nominal value 100 Fils of each share and all shares are in cash.

The Extraordinary General Assembly of shareholders held on July 14, 2020 approved the increase of shares capital from KD 10,045,588 to KD 12,054,706 with an amount of KD 2,009,118 through issuing bonus shares equivalent to 20% of the share capital which is equal to 20 shares for each 100 shares, this increase in share capital was recorded in the commercial register on September 7, 2020, so the authorized, issued and fully paid up capital of the company became KD 12,054,706.

14- Statutory reserve

In accordance with the requirements of Companies' Law and the company's Articles of Association, 10% of the annual net profit before Board of Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Science, Zakat and National Labour Support Tax is transferred to the statutory reserve. The company may discontinue such transfer when the reserve equals 50% of share capital. Statutory reserve is not available for distribution except in cases stipulated by law.

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15- Voluntary reserve

As required by the company's Articles of Association, 10% of the annual net profit before Board of Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Science, Zakat and National Labor Support Tax is transferred to the voluntary reserve. Such annual transfers may be discontinued with a resolution from the General Assembly of shareholders upon a recommendation from the Board of Directors.

16- Cost of sales

	<u>2020</u>	<u>2019</u>
Beginning inventory	6,696,155	5,984,711
Purchases	15,040,918	15,808,761
	21,737,073	21,793,472
Ending inventory	(6,984,379)	(6,696,155)
	<u>14,752,694</u>	<u>15,097,317</u>

17- General and administrative expenses

	<u>2020</u>	<u>2019</u>
Staff cost	352,607	403,641
Rents	114,323	121,303
Maintenance expenses	27,937	26,932
Postage and telephone	9,821	17,664
Other	55,446	45,629
	<u>560,134</u>	<u>615,169</u>

18- Earning per share/(Fils)

Earning per share is calculated through dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	<u>2020</u>	<u>2019</u>
Net profit for the year	1,573,324	1,509,582
Weighted average number of issued and outstanding shares during the year	120,547,056	120,547,056
Earning per share/(Fils)	<u>13.05</u>	<u>12.52</u>

The weighted average number of outstanding shares during the year has been recomputed during the year ended December 31, 2020 as well as the comparative year to reflect the bonus shares of 20,091,176 shares which have been approved by the Extraordinary General Assembly of the Shareholders on July 14, 2020.

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19- Contingent liabilities

At the financial position date the company had contingent liabilities as follows:

	<u>2020</u>	<u>2019</u>
Letters of guarantee	48,645	48,645

20- Proposed dividends and Board of Directors' remuneration

On March 1, 2021 the Board of Directors proposed the following:

- Non distribution of any remuneration for the Board of Directors members for the financial year ended December 31, 2020 (2019: Nil).
- Distribution of cash dividends at 5% of the paid-up capital 5 Fils per share and bonus shares at 20% of the paid-up capital (20 shares per 100 shares) for the financial year ended on December 31, 2020 (2019: 20% bonus shares).

These proposals are subject to the approval of the Shareholders General Assembly.

21- Shareholders General Assembly

The Ordinary and extraordinary General Assembly of Shareholders held on July 14, 2020 and approved the financial statements for the financial year ended December 31, 2019 and non-distribution of dividends for the financial year ended December 31, 2019 nor remuneration for the Board of Directors for the financial year ended December 31, 2019 and approved the increase of share capital by issuing bonus shares by 20%.

22- Financial instruments and risks management

Categories of financial instruments

In the ordinary course of business, the company deals in set of financial instruments which are classified in the statement of financial position as financial assets and financial liabilities as follows:

Financial Assets

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	812,037	562,162
Accounts receivable and other debit balances	13,977,827	13,016,685
	<u>14,789,864</u>	<u>13,578,847</u>

Financial Liabilities

	<u>2020</u>	<u>2019</u>
Murabahat Payables	6,259,744	6,011,008
Accounts payable and other credit balances	524,096	435,132
	<u>6,783,840</u>	<u>6,446,140</u>

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Fair value of financial instruments

Fair value of financial instruments is defined as the amount at which an asset could be exchanged or a liability settled in a current transaction between knowledgeable willing parties in an arm's length transaction. The company used recognized assumptions and methods to estimate the fair value of the financial instruments. The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid market (if any) is determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar financial instruments.
- The fair values of financial instruments carried at amortized cost are not significantly different from their carrying values.

Financial risks management

The company uses financial instruments that are exposed to variety of financial risks such as credit risks, liquidity risks and market risks.

The company continuously reviews its risks exposures and takes the necessary procedures to limit these risks to acceptable levels.

• **Credit risks**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Company to credit risk, consist principally of cash and cash equivalents and receivables and other debit balances. Credit risks associated with receivables are limited due to the dispersion of credit across large number of customers, for more details see note (6). The cash and cash equivalent are deposited at reputable credit financial institutions and the receivables are presented at net after deducting net of Provision for expected credit losses.

The table below shows the assets exposed to credit risk in the statement of financial position:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalent	812,037	562,162
Trade receivables	11,440,374	10,632,928
	<u>12,252,411</u>	<u>11,195,090</u>

For further information, refer back to notes (5) and (6). Financial assets whose maturity date has expired and its value have not impaired are disclosed in note 6. The maturity date of the other financial assets has not expired.

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• **Liquidity risks**

Liquidity risks are the risks that the company will be unable to meet its cash obligations. The management of liquidity risks consists of keeping sufficient cash and arranging financing sources through enough facilities, retaining highly liquid assets and monitoring liquidity on a periodical basis through the method of future cash flows.

The maturity of liabilities stated below is based on the period from the financial position date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed and the liability settled.

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The maturity analysis of liabilities as of December 31, 2020 is as follows:

	Within one year	From 1 to 5 years	More than 5 years	Total
Murabahat payables	3,529,536	2,730,208	-	6,259,744
Accounts payable and other credit balances	524,096	-	-	524,096
Provision for end of service indemnity	-	-	316,318	316,318
	<u>4,053,632</u>	<u>2,730,208</u>	<u>316,318</u>	<u>7,100,158</u>

The maturity analysis of liabilities as of December 31, 2019 is as follows:

	Within one year	From 1 to 5 years	More than 5 years	Total
Murabahat payables	5,156,896	854,112	-	6,011,008
Accounts payable and other credit balances	435,132	-	-	435,132
Provision for end of service indemnity	-	-	291,973	291,973
	<u>5,592,028</u>	<u>854,112</u>	<u>291,973</u>	<u>6,738,113</u>

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• **Market risks**

Market risks, comprise of foreign currency risk, interest rate risk and equity price risk. These risks arise due to changes in market prices of assets, interest rates and foreign currencies rates.

Foreign currencies risks

Foreign currency risks are the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currencies risks arise from transactions in foreign currencies. The company manages these risks by setting limits on transactions in foreign currencies and parties and limiting its transaction business in major currencies with reputable parties.

Interest rate risks

Interest rate risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates in the market.

The Company's interest rate risks arise from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flows interest rate risks.

As the company has no long-term borrowing, so it is not exposed to interest risk which resulting from long-term borrowing.

The Company does not have significant assets with an interest rate. Accordingly, the Company's profit or loss and other comprehensive income and its cash and operating flows are not affected by changes in market interest rates.

Equity price risks

Equity price risks are the risks that the fair values of equities fluctuate as the result of changes in the levels of equity indices and the value of individual stocks. This risk results due to the changes in the fair value of the investments in stocks.

Currently, the company is not exposed to equity price risks as the company does not retain financial investments.

23- Capital risks management

The company's objectives when managing capital are:

- To safeguard the company's ability to continue as a going concern to be able to provide returns for shareholders and benefits for other stakeholders.
- To maintain an optimal returns to shareholders by pricing its products and services commensurately with risk level.

The company monitors capital on the basis of net debt to the total adjusted capital ratio. This ratio is calculated through dividing net debt by the total adjusting capital. Net debt is calculated as total Murabahat payables, shown in the statement of financial position less cash and cash equivalents.

Total adjusted capital comprises all components of equity (share capital, reserves and retained earnings) plus net debt.

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The debt to equity ratio is as follows:

	2020	2019
Debt	6,259,744	6,011,008
Less: Cash and cash equivalents	(812,037)	(562,162)
Net debt	5,447,707	5,448,846
Total equity	19,496,108	17,922,784
Total adjusted capital	24,943,815	23,371,630
Debt to equity ratio	22%	23%

24- Significant events

The outbreak of coronavirus ("COVID-19") pandemic across the globe has caused disruption to business and economic activities and uncertainties in the global economic environment. Management assessed the impact of the pandemic on the significant estimates and judgments applied by them in arriving at the Company's reported amounts of financial and non-financial assets as of 31 December 2020. Management also assessed that the Company has liquidity and plans in place to settle its current liabilities.

Company's Management is continuously revising their assumptions, estimates and judgments and monitoring the liquidity position as event unfold.