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

Financial statements
for the financial year ended December 31, 2017
with
Independent auditors' report

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

Financial statements
for the financial year ended December 31, 2017
with
Independent auditors' report

Contents

Rödl
Middle East
Burgan - International Accountants

Ali Al Hassawi & Partners
P.O. Box: 22351 Safat 13084 Kuwait
Sharq – Dasman Complex – Block 2 – 9 Floor
Tel 22464574-6 /22426862-3 Fax: 22414956
Email: info-kuwait@rodlme.com
www.rodlme.com

MAZARS

Hind Abdulla Alsurayea & Co. - Certified Accountants
P.O.Box 23105 – Safat, 13092 – Kuwait.
Tel: +965 22470462/4
Fax: +965 22470463
Email: info@mazars.com.kw
Web: www.mazars.com.kw

Independent auditors' report

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, 2017, 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, 2017, 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 we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have identified the following key audit matters:

Trade receivables
The trade receivables are considered to be a key audit matter for the company as it is the most significant item of the working capital, in addition to its related good or doubtful debts and the adequacy of provision for doubtful debts formed for this purpose. 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 adequate samples from trade receivables balances, also verified the confirmations received from some receivables at the financial position date in addition to reviewing the aging of account receivables prepared by the management to determine the adequacy of provision for doubtful debts formed to cover any uncollectible amounts from these receivables, also we studied the subsequent collections for the main receivables along with the adequacy of necessary disclosures included in the accompanying financial statements.

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 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 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.

Rödl
Middle East
Burgan – International Accountants

MAZARS

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 related Executive Regulations as amended and the Company's memorandum and articles 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 related Executive Regulations as amended or the Company's memorandum and articles of association as amended during the financial year ended December 31, 2017 that might have had a material effect on the Company's business or its financial position.

Abdulhussain M. Al–Rasheed	**Hend Abdullah Al Surayea**
License No. 67 – (A)	**License no. 141 A**
Rödl Middle East – Burgan	**Member of MAZARS**
International Accountants	

March 12, 2018
State of Kuwait

Exhibit - A

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

Statement of financial position as of December 31, 2017
"All amounts are in Kuwaiti Dinar"

	Note	2017	2016
Assets			
Current assets			
Cash and cash equivalents	5	**400,485**	595,369
Accounts receivable and other debit balances	6	**11,767,531**	10,916,046
Inventory	7	**8,944,462**	8,133,443
		21,112,478	19,644,858
Non-current assets			
Intangible assets	9	**1**	85,008
Property and equipment	10	**304,402**	366,601
		304,403	451,609
Total assets		**21,416,881**	20,096,467
Liabilities and equity			
Current liabilities			
Murabahat payables	11	**4,667,260**	4,436,519
Accounts payable and other credit balances	12	**293,897**	248,177
		4,961,157	4,684,696
Non-current liabilities			
Murabahat payables	11	**1,194,218**	1,523,672
Provision for end of service indemnity		**238,744**	213,635
		1,432,962	1,737,307
Equity			
Share capital	13	**10,045,588**	10,045,588
Statutory reserve	14	**1,374,991**	1,233,864
Voluntary reserve	15	**445,207**	304,080
Retained earnings		**3,156,976**	2,090,932
		15,022,762	13,674,464
Total liabilities and equity		**21,416,881**	20,096,467

Fahed Saud Al Mutairy
Chairman

Abdullah Saud Al Mutairy
Vice Chairman and Chief Executive Officer

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

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

Statement of profit or loss and other comprehensive income for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar"

	Note	2017	2016
Revenue			
Sales		**16,209,326**	15,168,419
Cost of sales	16	**(13,653,471)**	(12,711,137)
Gross profit		**2,555,855**	2,457,282
Other income		**133,406**	141,405
Total revenue		**2,689,261**	2,598,687
Expenses and other charges			
General and administrative expenses	17	**603,364**	566,645
Finance charges		**471,883**	402,553
Depreciation and amortization		**147,206**	147,200
Provisions		**55,535**	52,851
Total expenses and other charges		**1,277,988**	1,169,249
Net profit for the year before KFAS, Zakat and National Labour Support Tax		**1,411,273**	1,429,438
Contribution to Kuwait Foundation for the Advancement of Science		**(12,701)**	(12,865)
Zakat		**(14,364)**	(14,541)
National Labour Support Tax		**(35,910)**	(36,353)
Net profit for the year		**1,348,298**	1,365,679
Other comprehensive income		**-**	-
Total comprehensive income		**1,348,298**	1,365,679
Earning per share/(Fils)	18	**13.42**	13.59

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

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

Statement of changes in equity for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar"

	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Total
Balance at January1, 2016	10,045,588	1,090,920	161,136	1,011,141	12,308,785
Net profit for the year	-	-	-	1,365,679	1,365,679
Transferred to reserves	-	142,944	142,944	(285,888)	-
Balance at December 31, 2016	10,045,588	1,233,864	304,080	2,090,932	13,674,464
Balance at January1, 2017	10,045,588	1,233,864	304,080	2,090,932	13,674,464
Net profit for the year	-	-	-	1,348,298	1,348,298
Transferred to reserves	-	141,127	141,127	(282,254)	-
Balance at December 31, 2017	**10,045,588**	**1,374,991**	**445,207**	**3,156,976**	**15,022,762**

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

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

Statement of cash flows for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar"

	Note	2017	2016
Cash flows from operating activities			
Net profit for the year		**1,348,298**	1,365,679
Adjustments:			
Depreciation and amortization		**147,206**	147,200
Provision for end of service indemnity		**25,109**	24,701
Finance charges		**471,883**	402,553
Operating profit before calculating the effect of changes in working capital items		**1,992,496**	1,940,133
Accounts receivable and other debit balances		**(851,485)**	(535,425)
Inventory		**(811,019)**	(586,193)
Accounts payable and other credit balances		**45,720**	31,041
Net cash generated from operating activities		**375,712**	849,556
Cash flows from financing activities			
Murabahat payables		**(98,713)**	(177,052)
Finance charges paid		**(471,883)**	(402,553)
Net cash used in financing activities		**(570,596)**	(579,605)
Net (decrease)/increase in cash and cash equivalents		**(194,884)**	269,951
Cash and cash equivalents at beginning of the year		**595,369**	325,418
Cash and cash equivalents at end of the year	5	**400,485**	595,369

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

1- Incorporation and activities

Al Eid for General Trading and Contracting Company (Abdullah Saud Murdy Al Mutairy 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.

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 Group Company K.S.C. (Holding).

These financial statements were authorized for issue by the Board of Directors on March 12, 2018.

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

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

2/1) New amendments that are mandatorily effective for the current year:

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2017:

- **Amendments to IAS 7 "Disclosure Initiative"**

  The amendments require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The application of these amendments has had no impact on the Company's financial statements.

- **Amendments to IFRS 12 included in the Annual Improvements Cycle**

  The Annual Improvements Cycle includes amendments to a number of IFRSs, one of which is effective for annual periods beginning on or after January 1, 2017 is the amendment to IFRS 12.

  IFRS 12 states that the entities need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

  The application of these amendments has had no effect on the Company's financial statements as none of the Company's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

2/2) New and revised IFRSs in issue but not yet effective:

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

IFRS 9	Financial instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an investor and its Associate or joint venture
Amendments to IAS 40	Transfers of Investment Property

- **IFRS 9: "Financial Instruments"**

  The IASB issued IFRS 9 'Financial Instruments' in its final form in July 2014 and is effective for annual periods beginning on or after January 1, 2018 with permission to early adoption.

  IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets, impairment of financial assets and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

i. **Classification and measurement**
The adoption of this standard will have an effect on the classification and measurement of financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income or fair value through statement of profit or loss.

ii. **Impairment of financial assets**
The impairment requirements apply to financial assets measured at amortised cost, fair value through other comprehensive income, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').
Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile.

The director of the Company is in the process of evaluating the impact of IFRS 9, but does not expect any significant effect on adoption of this standard.

- **IFRS 15: Revenue from Contracts with customers**
IFRS 15 was issued by IASB on May 28, 2014, effective for annual periods beginning on or after January 1, 2018. IFRS 15 supersedes IAS 11 Construction Contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets.

The director of the Company is in the process of evaluating the impact of IFRS 15 but does not expect any significant effect on adoption of this standard.

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

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

- **IFRS 16: Leases**

  In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after January 1, 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17.

  The director of the Company does not anticipates an impact on the Company's financial statements in as the company does not have leases.

- **Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions**

  The amendments clarify the following:

  1) In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
  2) A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

     (i) the original liability is derecognized;
     (ii) the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
     (iii) Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognised in profit or loss immediately.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. Specific transition provisions apply.

  The directors of the Company do not anticipate an impact on the Company's financial statements as the Company does not have any cash-settled share-based payment arrangements.

- **Amendments to IFRS 10 and IAS 28 sale or contribution of Assets between an investor and its associate or joint venture**

  The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

  The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

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

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

- **Amendments to IAS 40 Transfers of Investment Property**
  The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction.

  The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

The director of the Company does not anticipate an impact on the Company's financial statements as the company does not have investment properties.

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 amendments.
- The accounting policies used in the preparation of these financial statements are consistent with those used in preparation of the financial statements of the previous year.
- These financial statements are prepared under the historical cost basis of measurement 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).

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.

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

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

3/4) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and at banks and short term bank deposits with a maturity date not exceeding three months from the date of deposit.

3/5) Trade receivable

Accounts receivable are recognized at its nominal value less the provision for doubtful debts. The management estimates this provision based on reviewing the customers periodically on individual basis, the current economic circumstances, the previous experience and other related factors.

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.

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 of non-financial assets

The carrying value of the company's non-financial assets is reviewed at the financial position date to determine whether there is any objective evidence of impairment. If any such evidence exists, the assets recoverable amount is estimated and an impairment loss is recognized in the Statement of profit or loss and other comprehensive income whenever the carrying value of an asset exceeds its recoverable value.

Reversal of impairment losses recognized in prior years are recorded as revenue when there is an indication that the impairment losses recognized no longer exist or have decreased.

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 from sales is recognized when the significant risks and rewards are transferred to the buyer, and no significant uncertainties remain regarding the derivation of consideration, associated or the possible return of goods.
- 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.

3/15) Borrowing costs

- Interest on loans and facilities is calculated on the accrual basis and is recognized in the consolidated 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 acquiring, constructing or producing a qualifying asset are recognized as an expense in the statement of profit or loss and other comprehensive income within period in which they are incurred on accrual basis.

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) 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.

3/18) 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.

3/19) 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.

3/20) 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.

3/21) 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.

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.

Impairment of financial assets

The Company's management reviews periodically items classified as "loans and receivables" to assess whether a provision for impairment should be recorded in the statement of profit or loss and other comprehensive income. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty.

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

	2017	2016
Cash on hand	67,384	48,891
Current accounts at banks	333,101	546,478
	400,485	595,369

6- Accounts receivable and other debit balances

	2017	2016
Trade receivables	9,183,326	8,340,754
Provision for doubtful debts	(402,320)	(402,320)
	8,781,006	7,938,434
Cheques under collection	2,972,717	2,975,637
Refundable deposits	13,808	1,975
	11,767,531	10,916,046

As on December 31, the trade receivables aging were as follows:

2017

During 30 days	**30-60 days**	**60-90 days**	**90-120 days**	**<120 days**	**Total**
1,173,558	**1,422,349**	**1,100,552**	**951,349**	**4,535,518**	**9,183,326**

2016

During 30 days	30-60 days	60-90 days	90-120 days	<120 days	Total
994,114	1,238,703	1,077,933	1,084,566	3,945,438	8,340,754

The carrying value of accounts receivable and other debit balances approximates their fair value and trade receivables that are less than 3 months past due are not considered impaired.

The other items within accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risks at the financial statements date is the fair value of each class of receivables mentioned above. The company does not hold any guarantees for collections.

7- Inventory

	2017	2016
Ending inventory	**5,574,713**	4,973,498
Provision for slow moving goods	**(114,460)**	(114,460)
	5,460,253	4,859,038
Goods in transit	**3,484,209**	3,274,405
	8,944,462	8,133,443

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 Group 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:	**2017**	2016
Salaries and other benefits	**24,000**	15,000

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

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

9- Intangible assets

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

	2017	2016
Cost		
Balance at January 1	**850,017**	850,017
Balance at December 31	**850,017**	850,017
Accumulated amortization		
Balance at January 1	**765,009**	680,008
Charged for the year	**85,007**	85,001
Balance at December 31	**850,016**	765,009
Net book value at December 31	**1**	85,008

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

10- Property and equipment

	Buildings	Machinery and equipment	Vehicles	Decorations	Total
Cost					
Balance at January 1, 2017	900,000	290,609	419,815	425,642	2,036,066
Balance at December 31, 2017	900,000	290,609	419,815	425,642	2,036,066
Accumulated depreciation					
Balance at January 1, 2017	585,000	290,608	368,217	425,640	1,669,465
Charged for the year	45,000	-	17,199	-	62,199
Balance at December 31, 2017	630,000	290,608	385,416	425,640	1,731,664
Net book value					
At December 31, 2017	**270,000**	**1**	**34,399**	**2**	**304,402**
At December 31, 2016	315,000	1	51,598	2	366,601

- The buildings are mortgaged against Murabahat (note -11).
- The fair value of the buildings at the end of the year was amounted to KD 1,380,000 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.

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

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

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:

	2017	2016
Current portion	**4,667,260**	4,436,519
Non-current portion	**1,194,218**	1,523,672
	5,861,478	5,960,191

Effective cost rate is ranging from 8% to 8.5% on the financial position date (2016: 8% to 8.5%).

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 a related party.

12- Accounts payable and other credit balances

	2017	2016
Vehicles purchase payables	**-**	11,250
Provision for staff leave	**30,426**	28,150
KFAS	**48,265**	35,564
Zakat	**65,611**	59,528
National Labour Support Tax	**149,595**	113,685
	293,897	248,177

13- Share capital

The authorized, issued and full paid-up capital is KD 10,045,588 distributed on 100,455,880 shares with nominal value 100 Fils of each share and all shares are in cash.

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.

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

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

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

	2017	2016
Beginning inventory	**4,973,498**	4,764,759
Purchases	**14,254,686**	12,919,876
	19,228,184	17,684,635
Ending inventory	**(5,574,713)**	(4,973,498)
	13,653,471	12,711,137

17- General and administrative expenses

	2017	2016
Staff cost	**396,447**	345,366
Rents	**134,788**	163,104
Maintenance expenses	**22,238**	20,463
Postage and telephone	**15,733**	15,547
Other	**34,158**	22,165
	603,364	566,645

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:

	2017	2016
Net profit for the year	**1,348,298**	1,365,679
Weighted average number of issued and outstanding shares during the year	**100,455,880**	100,455,880
Earning per share/(Fils)	**13.42**	13.59

19- Contingent liabilities

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

	2017	2016
Letters of guarantee	**200,063**	48,645

20- Proposed dividends and Board of Directors' remuneration

On March 12, 2018 the Board of Directors has proposed not to distribute remuneration for the Board of Directors members for the financial year ended December 31, 2017 (2016: Nil) and not to distribute dividend for the financial year ended December 31, 2017 (2016: Nil).

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

21- Shareholders General Assembly

The Ordinary Shareholders General Assembly had been held on April 23, 2017 that approved the financial statements for the financial year ended December 31, 2016 and not to distribute dividends for the financial year ended December 31, 2016 and not to distribute remuneration for the Board of Directors' for the financial year ended December 31, 2016.

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

	2017	2016
Cash and cash equivalents	400,485	595,369
Accounts receivable and other debit balances	11,767,531	10,916,046
	12,168,016	11,511,415

Financial Liabilities

	2017	2016
Murabahat Payables	5,816,478	5,960,191
Accounts payable and other credit balances	293,897	248,177
	6,110,375	6,208,368

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 risks are the risks that one party to a financial instrument will fail to pay an obligation causing the other party to bear a financial loss. Financial assets, which potentially expose the Company to credit risk, consist principally of cash and cash equivalents and accounts receivable. Cash and cash equivalents are placed in financial institutions with high credit repute. Receivables are carried by net after deducting the provision for doubtful debts.

- **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 assets and 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.

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

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

The maturity analysis of liabilities as of December 31, 2017 is as follows:

	Within one year	From 1 to 5 years	More than 5 years	Total
Murabahat payables	4,667,260	1,194,218	-	5,861,478
Accounts payable and other credit balances	293,897	-	-	293,897
Provision for end of service indemnity	-	-	238,744	238,744
	4,961,157	1,194,218	238,744	6,394,119

The maturity analysis of liabilities as of December 31, 2016 is as follows:

	Within one year	From 1 to 5 years	More than 5 years	Total
Murabahat payables	4,436,519	1,523,672	-	5,960,191
Accounts payable and other credit balances	248,177	-	-	248,177
Provision for end of service indemnity	-	-	213,635	213,635
	4,684,696	1,523,672	213,635	6,422,003

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

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

- **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.

  Currently, 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.

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

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

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

The debt to equity ratio is as follows:

	2017	2016
Debt	5,861,478	5,960,191
Less: Cash and cash equivalents	(400,485)	(595,369)
Net debt	5,460,993	5,364,822
Total equity	15,022,762	13,674,464
Total adjusted capital	20,483,755	19,039,286
Debt to equity ratio	%27	%28