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

Financial statements
for the financial year ended December 31, 2018
with
Independent auditors' report

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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, 2018, 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, 2018, 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 fundamental 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:

- Our audit focused on the revision of credit and collection policies of the Company and inquiring whether there is a change from previous years.
- We reviewed the aging of 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.

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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.

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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, 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, or the Company's Articles of incorporation and Memorandum of Association, as amended during the financial year ended December 31, 2018 that might have had a material effect on the Company's business or its financial position.

Abdulhussain M. Rasheed
License No. 67-A.
Rödl Middle East
Burgan – International Accountants

Hend Abdullah Al Surayea
License no. 141 A
Member of MAZARS

March 18, 2019
State of Kuwait

Exhibit - A

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

Statement of financial position as of December 31, 2018
"All amounts are in Kuwaiti Dinar"

	Note	2018	2017
Assets			
Current assets			
Cash and cash equivalents	5	**261,723**	400,485
Accounts receivable and other debit balances	6	**12,082,218**	11,767,531
Inventory	7	**9,553,193**	8,944,462
		21,897,134	21,112,478
Non-current assets			
Intangible assets	9	**78,626**	1
Property and equipment	10	**578,782**	304,402
		657,408	304,403
Total assets		**22,554,542**	21,416,881
Liabilities and equity			
Current liabilities			
Murabahat payables	11	**4,610,172**	4,667,260
Accounts payable and other credit balances	12	**362,848**	293,897
		4,973,020	4,961,157
Non-current liabilities			
Murabahat payables	11	**902,461**	1,194,218
Provision for end of service indemnity		**265,859**	238,744
		1,168,320	1,432,962
Equity			
Share capital	13	**10,045,588**	10,045,588
Statutory reserve	14	**1,523,800**	1,374,991
Voluntary reserve	15	**594,016**	445,207
Retained earnings		**4,249,798**	3,156,976
		16,413,202	15,022,762
Total liabilities and equity		**22,554,542**	21,416,881

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, 2018
"All amounts are in Kuwaiti Dinar"

	Note	2018	2017
Revenue			
Sales		**17,054,482**	16,209,326
Cost of sales	16	**(14,345,145)**	(13,653,471)
Gross profit		**2,709,337**	2,555,855
Other income		**103,450**	133,406
Total revenue		**2,812,787**	2,689,261
Expenses and other charges			
General and administrative expenses	17	**642,470**	603,364
Finance charges		**518,059**	471,883
Depreciation and amortization		**86,826**	147,206
Provisions		**77,340**	55,535
Total expenses and other charges		**1,324,695**	1,277,988
Net profit for the year before KFAS, Zakat and National Labour Support Tax		**1,488,092**	1,411,273
Contribution to Kuwait Foundation for the Advancement of Science		**(13,393)**	(12,701)
Zakat		**(15,331)**	(14,364)
National Labour Support Tax		**(38,328)**	(35,910)
Net profit for the year		**1,421,040**	1,348,298
Other comprehensive income		**-**	-
Total comprehensive income		**1,421,040**	1,348,298
Earning per share/(Fils)	18	**14.15**	13.42

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, 2018
"All amounts are in Kuwaiti Dinar"

	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Total
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
Balance at January1, 2018	10,045,588	1,374,991	445,207	3,156,976	15,022,762
Transition adjustment on adoption of IFRS 9 at January 1, 2018 (Note 6)	-	-	-	(30,600)	(30,600)
Balance at January 1, 2018 (adjusted)	10,045,588	1,374,991	445,207	3,126,376	14,992,162
Net profit for the year	-	-	-	1,421,040	1,421,040
Transferred to reserves	-	148,809	148,809	(297,618)	-
Balance at December 31, 2018	**10,045,588**	**1,523,800**	**594,016**	**4,249,798**	**16,413,202**

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

Exhibit - D

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

Statement of cash flows for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar"

	Note	2018	2017
Cash flows from operating activities			
Net profit for the year		**1,421,040**	1,348,298
Adjustments:			
Depreciation and amortization		**86,826**	147,206
Provision for doubtful debts		**17,900**	-
Provision for end of service indemnity		**27,115**	25,109
Finance charges		**518,059**	471,883
Operating profit before calculating the effect of changes in working capital items		**2,070,940**	1,992,496
Accounts receivable and other debit balances		**(363,187)**	(851,485)
Inventory		**(608,731)**	(811,019)
Accounts payable and other credit balances		**68,951**	45,720
Net cash generated from operating activities		**1,167,973**	375,712
Cash flows from investing activities			
Intangible assets		**(85,000)**	-
Property and equipment		**(354,831)**	-
Net cash used in investing activities		**(439,831)**	-
Cash flows from financing activities			
Murabahat payables		**(348,845)**	(98,713)
Finance charges paid		**(518,059)**	(471,883)
Net cash used in financing activities		**(866,904)**	(570,596)
Net decrease in cash and cash equivalents		**(138,762)**	(194,884)
Cash and cash equivalents at beginning of the year		**400,485**	595,369
Cash and cash equivalents at end of the year	5	**261,723**	400,485

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, 2018
"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 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 18, 2019.

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) Newly effective standard and amendments and improvements to standards

The Company adopted IFRS 15 and IFRS 9 with effect from January 1, 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of The Company.

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- **IFRS 15 Revenue from Contracts with Customers**

  IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which The Company expects to be entitled in exchange for transferring goods or services to a customer.

  IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.
  The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. January 1, 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

  There is no impact of adopting IFRS 15 on statement of profit or loss and other comprehensive income or statement of financial position.

- **IFRS 9 "Financial instruments"**

  IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  (There is impact of transition to IFRS 9 on the opening balance of reserve as retained earnings).

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

Notes to the financial statements for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar unless stated otherwise"

A) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

(i) Classification and measurement of financial assets and financial liabilities

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2018.

In Kuwaiti Dinar	**IAS 39 carrying amounts December 31, 2017**	**Reclassification**	**IFRA 9 carrying amounts January 1, 2018**
Amortised cost			
Accounts receivable and other debit balances	11,767,531	-	11,736,931
Cash and cash equivalents	400,485	-	400,485
Total financial assets	12,168,016	-	12,137,416

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

Notes to the financial statements for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar unless stated otherwise"

In Kuwaiti Dinar	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFSR 9
Financial liabilities				
Accounts payable and other credit balances	Other financial liabilities	Other financial liabilities	293,897	293,897
Murabahat payables	Other financial liabilities	Other financial liabilities	5,861,478	5,861,478
Total Financial assets			6,155,375	6,155,375

B) *Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Impact of the new impairment model

For trade and other receivables in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The impact of the adoption of IFRS 9 on ECL is recognizing on amounted of KD 17,900 for the financial year, also in additional impairment in value amounted to KD 30,600 was recorded in retained earnings balance in the statement of change in equity as shown in note (6) on the financial statement.

C) *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied using the cumulative effect method. The Company has taken an exemption not to restate comparative information of prior periods.

Differences in the carrying amounts of the financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but those of IAS 39.

The assessment has been made on the basis of the facts and circumstances that existed at the date of initial application.

- **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations**
  The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on The Company's financial statements.

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

The below new and amended International Financial Reporting Standards ("IFRS" or "standards") that are available for early adoption for financial years ending 31 December 2018 are not effective until a later period, They have not been applied in preparing these financial statements.

A. Adoption expected to impact the Company's financial statements:

- **IFRS 16 Leases**
  IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

  IFRS 16, which is effective for annual periods beginning on or after January 1, 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. The Company is in the process of assessing the impact of IFRS 16 to its financial statements.

B. Adoption not expected to impact the Company's financial statements:

Effective date	Description
January 1, 2019	• IFRIC Interpretation 23 Uncertainty over Income Tax Treatment • Amendments to IFRS 9: Prepayment Features with Negative Compensation • Amendments to IAS 19: Plan Amendment, Curtailment or Settlement • Amendments to IAS 28: Long-term interests in associates and joint ventures • Annual Improvements 2015-2017 Cycle (issued in December 2017) – Amendments to IFRS 3 Business Combinations – Amendments to IFRS 11 Joint Arrangements – Amendments to IAS 12 Income Taxes – Amendments to IAS 23 Borrowing Costs
January 1, 2021	• IFRS 17 Insurance Contracts
Effective date to be determined	• 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 financial year ended December 31, 2017 except for the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers from January 1, 2018.
- 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).

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.

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 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.

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) 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.

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

	2018	2017
Cash on hand	**69,297**	67,384
Current accounts at banks	**192,426**	333,101
	261,723	400,485

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6- Accounts receivable and other debit balances

	2018	2017
Trade receivables	**9,639,227**	9,183,326
Provision for doubtful debts	**(450,820)**	(402,320)
	9,188,407	8,781,006
Cheques under collection	**2,834,722**	2,972,717
Refundable deposits	**59,089**	13,808
	12,082,218	11,767,531

On adoption of IFRS 9 on January 1, 2018, the Company estimated its ECL under IFRS 9 and recognized KD 17,900 for the year ended December 31, 2018, it also recognized additional impairment of KD 30,600 on its trade receivables, this balance is adjusted in the opening balance of retained earnings. since there are no receivables exceeding 365 days as shown in the table below for the maturity of trade receivables as of December 31,:

2018

During 30 days	**30-60 days**	**60-90 days**	**90-120 days**	**<120 days**	**Total**
1,073,542	**1,363,306**	**1,174,796**	**1,184,787**	**4,842,796**	**9,639,227**

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

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.

	2018		
	Receivables from corporates	**Receivables from individuals**	**Total**
Balance at beginning of the year	**305,902**	**96,418**	**402,320**
IFRS 9 transition impact	**-**	**30,600**	**30,600**
ECL charge for the year	**7,000**	**10,900**	**17,900**
Balance at the end of the year	**312,902**	**137,918**	**450,820**

	2017		
	Receivables from corporates	Receivables from individuals	Total
Balance at the beginning of the year	305,902	96,418	402,320
Balance at the end of the year	305,902	96,418	402,320

The maximum exposure to credit risk at the statement of financial position date is

7- Inventory

	2018	2017
Ending inventory	**5,984,711**	5,574,713
Provision for slow moving goods	**(114,460)**	(114,460)
	5,870,251	5,460,253
Goods in transit	**3,682,942**	3,484,209
	9,553,193	8,944,462

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:	**2018**	2017
Salaries and other benefits	**24,000**	24,000

9- Intangible assets

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

	2018	2017
Cost		
Balance at January 1	**850,017**	850,017
Additions	**85,000**	-
Disposals	**(491,000)**	-
Balance at December 31	**444,017**	850,017
Accumulated amortization		
Balance at January 1	**850,016**	765,009
Charged for the year	**6,375**	85,007
Disposals	**(491,000)**	-
Balance at December 31	**365,391**	850,016
Net book value at December 31	**78,626**	1

The above disposals have been eliminated at cost to close down those stores and there is no impact on the statement of profit or loss and other comprehensive income due to

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10- Property and equipment

	Buildings	Machinery and equipment	Vehicles	Decorations	Total
Cost					
Balance at January 1, 2018	900,000	290,609	419,815	425,642	2,036,066
Additions	-	206,442	109,935	38,454	354,831
Disposals	-	(185,890)	(170,600)	(297,990)	(654,480)
Balance at December 31, 2018	900,000	311,161	359,150	166,106	1,736,417
Accumulated depreciation					
Balance at January 1, 2018	630,000	290,608	385,416	425,640	1,731,664
Charged for the year	45,000	5,479	24,804	5,168	80,451
Disposals	-	(185,890)	(170,600)	(297,990)	(654,480)
Balance at December 31, 2018	675,000	110,197	239,620	132,818	1,157,635
Net book value					
At December 31, 2018	**225,000**	**200,964**	**119,530**	**33,288**	**578,782**
At December 31, 2017	270,000	1	34,399	2	304,402

- The buildings are mortgaged against Murabahat (note -11).
- The fair value of the buildings at the end of the year was amounted to KD 960,000 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.
- The above disposals have been eliminated at cost by the Board of Directors decision and there is no impact on the statement of profit or loss and other comprehensive income.

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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:

	2018	2017
Current portion	**4,610,172**	4,667,260
Non-current portion	**902,461**	1,194,218
	5,512,633	5,861,478

Effective cost rate is ranging from 8% to 8.5% on the financial position date (2017: 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

	2018	2017
Provision for staff leave	**32,325**	30,426
KFAS	**61,658**	48,265
Zakat	**80,942**	65,611
National Labour Support Tax	**187,923**	149,595
	362,848	293,897

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.

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.

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16- Cost of sales

	2018	2017
Beginning inventory	5,574,713	4,973,498
Purchases	14,755,143	14,254,686
	20,329,856	19,228,184
Ending inventory	(5,984,711)	(5,574,713)
	14,345,145	13,653,471

17- General and administrative expenses

	2018	2017
Staff cost	444,804	396,447
Rents	117,116	134,788
Maintenance expenses	27,198	22,238
Postage and telephone	17,527	15,733
Other	35,825	34,158
	642,470	603,364

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:

	2018	2017
Net profit for the year	1,421,040	1,348,298
Weighted average number of issued and outstanding shares during the year	100,455,880	100,455,880
Earning per share/(Fils)	14.15	13.42

19- Contingent liabilities

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

	2018	2017
Letters of guarantee	155,063	200,063

20- Proposed dividends and Board of Directors' remuneration

On March 18, 2019 the Board of Directors has proposed not to distribute remuneration for the Board of Directors members for the financial year ended December 31, 2018 (2017: Nil) and not to distribute dividend for the financial year ended December 31, 2018 (2017: Nil).

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

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21- Shareholders General Assembly

The Ordinary General Assembly of Shareholders held on April 30, 2018 has approved the financial statements for the financial year ended December 31, 2017 and non distribution of dividends for the financial year ended December 31, 2017 nor remuneration for the Board of Directors for the financial year ended December 31, 2017.

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

	2018	2017
Cash and cash equivalents	**261,723**	400,485
Accounts receivable and other debit balances	**12,082,218**	11,767,531
	12,343,941	12,168,016

Financial Liabilities

	2018	2017
Murabahat Payables	**5,512,633**	5,861,478
Accounts payable and other credit balances	**362,848**	293,897
	5,875,481	6,155,375

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 risk associated with receivables and other debit balances is limited due to the dispersion of credit across large number of customers, for more details see note (6),as ECL were calculated with an amount of KD 17,900 for the year ended December 31, 2018, it also recognized additional impairment of KD 30,600 on its trade receivables, this balance is adjusted in the opining balance of retrained earnings according to IFRS 9. 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 doubtful debts.

The Company considers the maximum exposure to credit risk to be as follows:

	2018	2017
Cash and cash equivalent	**261,723**	400,485
Receivables and other debit balances	**9,639,227**	9,183,326
	9,900,950	9,583,811

For further information, refer back to notes (6) and (5). 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.

- **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.

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The maturity analysis of liabilities as of December 31, 2018 is as follows:

	Within one year	**From 1 to 5 years**	**More than 5 years**	**Total**
Murabahat payables	**4,610,172**	**902,461**	**-**	**5,512,633**
Accounts payable and other credit balances	**362,848**	**-**	**-**	**362,848**
Provision for end of service indemnity	**-**	**-**	**265,859**	**265,859**
	4,973,020	**902,461**	**265,859**	**6,141,340**

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

- **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.

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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:

	2018	2019
Debt	**5,512,633**	5,861,478
Less: Cash and cash equivalents	**(261,723)**	(400,485)
Net debt	**5,250,910**	5,460,993
Total equity	**16,413,202**	15,022,762
Total adjusted capital	**21,664,112**	20,483,755
Debt to equity ratio	**%24**	%27