

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

**Financial statements
for the financial year ended December 31, 2019
with
Independent auditors' report**

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

**Financial statements
for the financial year ended December 31, 2019
with
Independent auditors' report**

Contents

Independent auditors' report	
Statement of financial position	<u>Exhibit</u> A
Statement of profit or loss and other comprehensive income	B
Statement of changes in equity	C
Statement of cash flows	D
Notes to the financial statements	<u>Page</u> 1 - 19

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, 2019, 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, 2019, 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:

- 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.

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.

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, 2019 that might have had a material effect on the Company's business or its financial position.



Ali A. Al Hasawi
Licence No. 30 (A)
Rödl Middle East – Burgan International
Accountants



Adel Al-Sanea
Auditors Registry No. 86 Category (A)
Kuwaiti Accounting Auditing
A member of H.L.B International

March 24, 2020

Kuwait

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

Statement of financial position as of December 31, 2019
"All amounts are in Kuwaiti Dinar"

	Note	2019	2018
Assets			
Current assets			
Cash and cash equivalents	5	562,162	261,723
Accounts receivable and other debit balances	6	13,016,685	12,082,218
Inventory	7	10,566,307	9,553,193
		<u>24,145,154</u>	<u>21,897,134</u>
Non-current assets			
Intangible assets	9	70,126	78,626
Property and equipment	10	445,617	578,782
		<u>515,743</u>	<u>657,408</u>
Total assets		<u>24,660,897</u>	<u>22,554,542</u>
Liabilities and equity			
Current liabilities			
Murabihat payables	11	5,156,896	4,610,172
Accounts payable and other credit balances	12	435,132	362,848
		<u>5,592,028</u>	<u>4,973,020</u>
Non-current liabilities			
Murabihat payables	11	854,112	902,461
Provision for end of service indemnity		291,973	265,859
		<u>1,146,085</u>	<u>1,168,320</u>
Equity			
Share capital	13	10,045,588	10,045,588
Statutory reserve	14	1,681,857	1,523,800
Voluntary reserve	15	752,073	594,016
Retained earnings		5,443,266	4,249,798
		<u>17,922,784</u>	<u>16,413,202</u>
Total liabilities and equity		<u>24,660,897</u>	<u>22,554,542</u>

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, 2019**

"All amounts are in Kuwaiti Dinar"

	Note	2019	2018
Revenue			
Sales		17,881,264	17,054,482
Cost of sales	16	(15,097,317)	(14,345,145)
Gross profit		2,783,947	2,709,337
Other income		111,815	103,450
Total revenue		2,895,762	2,812,787
Expenses and other charges			
General and administrative expenses	17	615,169	642,470
Finance charges		483,623	518,059
Depreciation and amortization		141,665	86,826
Provisions		74,739	77,340
Total expenses and other charges		1,315,196	1,324,695
Net profit for the year before KFAS, Zakat and National Labour Support Tax		1,580,566	1,488,092
Contribution to Kuwait Foundation for the Advancement of Science		(14,225)	(13,393)
Zakat		(16,217)	(15,331)
National Labour Support Tax		(40,542)	(38,328)
Net profit for the year		1,509,582	1,421,040
Other comprehensive income		-	-
Total comprehensive income		1,509,582	1,421,040
Earning per share/(Fils)	18	15.03	14.15

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

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

Exhibit - C

Statement of changes in equity for the financial year ended December 31, 2019
"All amounts are in Kuwaiti Dinar"

	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Total
Balance at January 1, 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 (adjusted)	-	-	-	(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
Balance at January 1, 2019	10,045,588	1,523,800	594,016	4,249,798	16,413,202
Net profit for the year	-	-	-	1,509,582	1,509,582
Transferred to reserves	-	158,057	158,057	(316,114)	-
Balance at December 31, 2019	10,045,588	1,681,857	752,073	5,443,266	17,922,784

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, 2019
"All amounts are in Kuwaiti Dinar"

	Note	2019	2018
Cash flows from operating activities			
Net profit for the year		1,509,582	1,421,040
Adjustments:			
Depreciation and amortization		141,665	86,826
ECL charged for the year		15,000	17,900
Provision for end of service indemnity		26,114	27,115
Finance charges		483,623	518,059
Operating profit before calculating the effect of changes in working capital items		2,175,984	2,070,940
Accounts receivable and other debit balances		(949,467)	(363,187)
Inventory		(1,013,114)	(608,731)
Accounts payable and other credit balances		72,284	68,951
Net cash generated from operating activities		285,687	1,167,973
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		498,375	(348,845)
Finance charges paid		(483,623)	(518,059)
Net cash generated from /(used in) financing activities		14,752	(866,904)
Net increase (decrease) in cash and cash equivalents		300,439	(138,762)
Cash and cash equivalents at beginning of the year		261,723	400,485
Cash and cash equivalents at end of the year	5	562,162	261,723

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, 2019***"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 Company K.S.C. (Holding).

These financial statements were authorized for issue by the Board of Directors on March 24, 2020.

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

Al Eid Food Company**K.S.C. (Public)****Kuwait****Notes to the financial statements for the financial year ended December 31, 2019***"All amounts are in Kuwaiti Dinar unless stated otherwise"*

2- Application of new and revised International Financial Reporting Standards (IFRSs)**2/1) Newly effective standard and amendments and improvements to standards**

The new International Financial Reporting Standard IFRS 16 has become effective with effect from January 1, 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations were applied for the first time from January 1, 2019, 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 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 recognise 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 recognise 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 a change in the rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement 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 measure all leases using the same classification principle as in IAS 17 and distinguishing between two types of leases: operating and finance leases.

The adoption of IFRS 16 has no impact on the financial statements of "the Company". Since the Company has only a short-term lease contract.

Al Eid Food Company

K.S.C. (Public)

Kuwait

Notes to the financial statements for the financial year ended December 31, 2019

"All amounts are in Kuwaiti Dinar unless stated otherwise"

- **Other amendments to Standards**

The following interpretations and amendments to standards have also been applied by the Company in preparation of these financial statements.

- 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

The adoption of the above did not result in any changes to previously reported net profit or net assets of the Company.

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

The below new and amended IFRSs that are available for early adoption for financial year ended December 31, 2019 are not effective until a later period, and they have not been applied in preparing these the financial statements

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

Effective date	Description
January 1, 2020	<ul style="list-style-type: none"> • Amendments to IFRS 3 "Business Combinations" • Amendments to References to the Conceptual Framework in IFRS Standards • Amendments to IAS 1 and IAS 8 on 'Definition of Material'
January 1, 2022	<ul style="list-style-type: none"> • IFRS 17 "Insurance Contracts"
Effective date to be determined	<ul style="list-style-type: none"> • Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

3- **Significant accounting policies**

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

3/1) **Basis of the financial statements preparation**

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and State of Kuwait Companies' Law requirements and subsequent amendments.
- The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements of "the Company" for the last financial year.
- These financial statements are prepared under the historical cost basis of following the accrual basis. These financial statements have been presented in Kuwaiti Dinars.

Al Eid Food Company

K.S.C. (Public)

Kuwait

Notes to the financial statements for the financial year ended December 31, 2019

"All amounts are in Kuwaiti Dinar unless stated otherwise"

- 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.

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

Notes to the financial statements for the financial year ended December 31, 2019

"All amounts are in Kuwaiti Dinar unless stated otherwise"

3/8) Property and equipment

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

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

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

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

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

3/9) Impairment

Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

Financial assets measured at amortized cost

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

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

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

Al Eid Food Company**K.S.C. (Public)****Kuwait****Notes to the financial statements for the financial year ended December 31, 2019***"All amounts are in Kuwaiti Dinar unless stated otherwise"*

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

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

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

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

Credit-impaired financial assets

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

Presentation of impairment

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

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

Non-financial assets

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

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

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

Al Eid Food Company

K.S.C. (Public)

Kuwait

Notes to the financial statements for the financial year ended December 31, 2019*"All amounts are in Kuwaiti Dinar unless stated otherwise"*

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

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

3/10) Murabahat payables

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

3/11) Accounts payable

Accounts payable are stated at their nominal value.

3/12) Provision for end of service indemnity

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

3/13) Equity and reserves

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

3/14) Revenue recognition

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

Al Eid Food Company

K.S.C. (Public)

Kuwait

Notes to the financial statements for the financial year ended December 31, 2019*"All amounts are in Kuwaiti Dinar unless stated otherwise"*

3/15) Borrowing costs

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

3/16) Provisions

Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of the resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each financial position date and adjusted to reflect the current best estimate.

3/17) Offsetting

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

3/18) Foreign currencies

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

3/19) Kuwait Foundation for the Advancement of Science

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

3/20) Zakat

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

3/21) National Labour Support Tax

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

3/22) Contingent liabilities and assets

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

Al Eid Food Company**K.S.C. (Public)****Kuwait****Notes to the financial statements for the financial year ended December 31, 2019***"All amounts are in Kuwaiti Dinar unless stated otherwise"***4- Critical accounting judgments and key sources of estimation uncertainty**

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

Judgments*Contingent liabilities/liabilities*

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

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

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

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

5- Cash and cash equivalents

	<u>2019</u>	<u>2018</u>
Cash on hand	73,345	69,297
Current accounts at banks	488,817	192,426
	<u>562,162</u>	<u>261,723</u>

6- Accounts receivable and other debit balances

	<u>2019</u>	<u>2018</u>
Trade receivables	10,632,928	9,639,227
Provision for doubtful debts	(465,820)	(450,820)
	10,167,108	9,188,407
Cheques under collection	2,778,115	2,834,722
Refundable deposits	71,462	59,089
	<u>13,016,685</u>	<u>12,082,218</u>

Trade receivables ageing was as follows:

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

Al Eid Food Company**K.S.C. (Public)****Kuwait****Notes to the financial statements for the financial year ended December 31, 2019***"All amounts are in Kuwaiti Dinar unless stated otherwise"*

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

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.

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

	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 charged for the year	7,000	10,900	17,900
Balance at the end of the year	312,902	137,918	450,820

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

7- Inventory

	2019	2018
Ending inventory	6,696,155	5,984,711
Provision for slow moving goods	(114,460)	(114,460)
	6,581,695	5,870,251
Goods in transit	3,984,612	3,682,942
	10,566,307	9,553,193

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.

Al Eid Food Company

K.S.C. (Public)

Kuwait

Notes to the financial statements for the financial year ended December 31, 2019*"All amounts are in Kuwaiti Dinar unless stated otherwise"*

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

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

Statement of financial position

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

Statement of profit or loss and other comprehensive income**Remunerations and benefits for key management personnel:**

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

9- Intangible assets

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

	<u>2019</u>	<u>2018</u>
Cost		
Balance at January 1	444,017	850,017
Additions	-	85,000
Disposals	-	(491,000)
Balance at December 31	<u>444,017</u>	<u>444,017</u>
Accumulated amortization		
Balance at January 1	365,391	850,016
Charged for the year	8,500	6,375
Disposals	-	(491,000)
Balance at December 31	<u>373,891</u>	<u>365,391</u>
Net book value at December 31	<u>70,126</u>	<u>78,626</u>

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

Notes to the financial statements for the financial year ended December 31, 2019

"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, 2019	900,000	311,161	359,150	166,106	1,736,417
Balance at December 31, 2019	900,000	311,161	359,150	166,106	1,736,417
Accumulated depreciation					
Balance at January 1, 2019	675,000	110,197	239,620	132,818	1,157,635
Charged for the year	45,000	41,288	39,186	7,691	133,165
Balance at December 31, 2019	720,000	151,485	278,806	140,509	1,290,800
Net book value					
At December 31, 2019	180,000	159,676	80,344	25,597	445,617
At December 31, 2018	225,000	200,964	119,530	33,288	578,782

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

- The fair value of the buildings at the end of the year was amounted to KD 1,492,000 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, 2019
"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:

	<u>2019</u>	<u>2018</u>
Current portion	5,156,896	4,610,172
Non-current portion	854,112	902,461
	<u>6,011,008</u>	<u>5,512,633</u>

Effective cost rate is ranging from 7% to 7.5% on the financial position date (2018: 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

	<u>2019</u>	<u>2018</u>
Provision for staff leave	33,625	32,325
KFAS	75,883	61,658
Zakat	97,159	80,942
National Labour Support Tax	228,465	187,923
	<u>435,132</u>	<u>362,848</u>

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.

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

Notes to the financial statements for the financial year ended December 31, 2019
"All amounts are in Kuwaiti Dinar unless stated otherwise"

16- Cost of sales

	<u>2019</u>	<u>2018</u>
Beginning inventory	5,984,711	5,574,713
Purchases	15,808,761	14,755,143
	<u>21,793,472</u>	<u>20,329,856</u>
Ending inventory	(6,696,155)	(5,984,711)
	<u>15,097,317</u>	<u>14,345,145</u>

17- General and administrative expenses

	<u>2019</u>	<u>2018</u>
Staff cost	403,641	444,804
Rents	121,303	117,116
Maintenance expenses	26,932	27,198
Postage and telephone	17,664	17,527
Other	45,629	35,825
	<u>615,169</u>	<u>642,470</u>

18- Earning per share/(Fils)

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

	<u>2019</u>	<u>2018</u>
Net profit for the year	1,509,582	1,421,040
Weighted average number of issued and outstanding shares during the year	100,455,880	100,455,880
Earning per share/(Fils)	<u>15.03</u>	<u>14.15</u>

19- Contingent liabilities

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

	<u>2019</u>	<u>2018</u>
Letters of guarantee	48,645	155,063

20- Proposed dividends and Board of Directors' remuneration

On March 24, 2020 the Board of Directors proposed the following:

- Non distribution of any remuneration for the Board of Directors members for the financial year ended December 31, 2019 (2018: Nil).
- Distribution of bonus shares at 20% of the paid-up capital (20 shares per 100 shares) for the financial year ended on December 31, 2019 (2018: Nil).

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

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

Notes to the financial statements for the financial year ended December 31, 2019

"All amounts are in Kuwaiti Dinar unless stated otherwise"

21- Shareholders General Assembly

The Ordinary General Assembly of Shareholders held on May 1, 2019 has approved the financial statements for the financial year ended December 31, 2018 and non distribution of dividends for the financial year ended December 31, 2018 nor remuneration for the Board of Directors for the financial year ended December 31, 2018.

The ordinary General Assembly of Shareholders was also held on November 3, 2019, and appointed Mr. / Ali Abdul Rahman Al-Hassawi as an auditor, as a substitute for the deceased auditor, Mr. / Abdul Hussain Mohammed Al-Rasheed.

22- Financial instruments and risks management

Categories of financial instruments

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

Financial Assets

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	562,162	261,723
Accounts receivable and other debit balances	13,016,685	12,082,218
	<u>13,578,847</u>	<u>12,343,941</u>

Financial Liabilities

	<u>2019</u>	<u>2018</u>
Murabahat Payables	6,011,008	5,512,633
Accounts payable and other credit balances	435,132	362,848
	<u>6,446,140</u>	<u>5,875,481</u>

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.

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

Notes to the financial statements for the financial year ended December 31, 2019

"All amounts are in Kuwaiti Dinar unless stated otherwise"

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). 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:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalent	562,162	261,723
Trade receivables	10,632,928	9,639,227
	<u>11,195,090</u>	<u>9,900,950</u>

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 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.

(17)

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

Notes to the financial statements for the financial year ended December 31, 2019
"All amounts are in Kuwaiti Dinar unless stated otherwise"

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

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

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
	<u>4,973,020</u>	<u>902,461</u>	<u>265,859</u>	<u>6,141,340</u>

Al Eid Food Company

K.S.C. (Public)

Kuwait

Notes to the financial statements for the financial year ended December 31, 2019

"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.

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

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

Notes to the financial statements for the financial year ended December 31, 2019
"All amounts are in Kuwaiti Dinar unless stated otherwise"

The debt to equity ratio is as follows:

	<u>2019</u>	<u>2018</u>
Debt	6,011,008	5,512,633
Less: Cash and cash equivalents	(562,162)	(261,723)
Net debt	5,448,846	5,250,910
Total equity	17,922,784	16,413,202
Total adjusted capital	23,371,630	21,664,112
Debt to equity ratio	23%	%24