ALMUNAJEM FOODS COMPANY
(formerly known as ALMUNAJEM COLD STORES COMPANY)
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENTAUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD STORES COMPANY)
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2021

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Independent Auditor's Report
To the Shareholders of Almunajem Foods Company (formerly known as Almunajem Cold Stores Company)
(A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of Almunajem Foods Company (formerly known as Almunajem Cold Stores Company) (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Company's revenue for the year ended 31 December 2021 is SR 2,577 million (2020: SR 2,538 million). Revenue is recognised in accordance with International Financial Reporting Standard 15 - Revenue from Contracts with Customers ("IFRS 15") which requires taking into account rebates and discounts given to customers on the Company's sales. The recognition of promotions and customer rebates depend on the performance criteria under each commercial contract. This area is key to our audit as the estimates of recognized allowances and discounts involve judgment and have an impact on reported revenue and accordingly, revenue recognition has been considered a key audit matter. *The accounting policy for revenue is outlined in Note 4 and a breakdown of revenue is presented in Note 15.*	Our audit procedures performed included, among other audit procedures, the following: • Assessed the Company's revenue recognition accounting policies for compliance with the requirements of IFRS 15. • Evaluated key contractual, returns and rebates arrangements by considering relevant documentation and agreements with the customers. • Recalculated discounts and rebates for sample of customers according to their agreements. • Evaluated the design and implementation, and tested the operating effectiveness of relevant controls over the revenue cycle. • Selected a sample of sales transactions taking place during the year and inspected the supporting documents to ensure they were recognized at correct amounts. • Inspected sample of sales transactions recoded before and after the year-end to assess whether revenue was recorded in the correct accounting period. • Performed variance analysis by comparing current year's revenue with the historical trend, and discussed material variances, if any. • Assessed the adequacy of the relevant disclosures in accordance with the requirements of IFRS 15 included in the financial statements.

Independent Auditor's Report (continued)
To the Shareholders of Almunajem Foods Company (formerly known as Almunajem Cold Stores Company) (continued)
(A Saudi Joint Stock Company)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses in respect of trade receivables	
As at 31 December 2021, the Company's gross trade receivables amounted to SR 230.97 million against which a provision for expected credit losses of SR 11.13 million is maintained. The Company applies simplified approach in calculating the expected credit losses (ECL) as required by International Financial Reporting Standard 9 - Financial Instruments ("IFRS 9") to calculate the provision for expected credit losses in respect of trade receivables. We considered this as a key audit matter as it involves complex calculations and use of assumptions by management in addition to the materiality of the amounts involved. *Refer to notes 4 and 5 for the accounting policy and significant estmates related to provision for expected credit losses and notes 11 and 26.3 for the related disclosures.*	Our audit procedures performed included, among other audit procedures, the following: • Assessed the design, implementation, and operating effectiveness of the key controls over the following: - Recording of trade receivables - Trade receivables aging report • Assessed significant assumptions, including loss rates and those relating to future economic events that are used to calculate the expected credit loss. • Tested the mathematical accuracy of the ECL model. • Assessed the adequacy of the relevant disclosures included in the financial statements.

Other information included in the Company's 2021 Annual Report
Other information consists of the information included in the Company's 2021 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Company's 2021 annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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.

When we read the Company's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of the Companies' Law and Company's By-laws, 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, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia 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.

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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit, in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, 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 risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's 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 auditor's 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 regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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Independent Auditor's Report (continued)
To the Shareholders of Almunajem Foods Company (formerly known as Almunajem Cold Stores Company) (continued)
(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

Rashid S. Roshod
Certified Public Accountant
License No. (366)

Riyadh: 24 Sha'ban 1443H
27 March 2022G

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شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD STORES COMPANY)
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 SR	2020 SR
ASSETS			
NON-CURRENT ASSETS			
Right-of-use assets	7	**48,433,604**	46,945,925
Property, plant, and equipment	8	**286,736,574**	281,033,658
Intangible assets	9	**2,910,115**	4,265,572
TOTAL NON-CURRENT ASSETS		**338,080,293**	332,245,155
CURRENT ASSETS			
Bank balances and cash	10	**85,525,433**	19,906,229
Trade receivables	11	**219,833,980**	200,764,124
Prepayments and other assets	12	**40,647,946**	14,436,773
Right of return assets	13	**1,029,967**	976,777
Due from related parties	14	**126,355,321**	81,527,168
Inventories	16	**486,497,539**	419,992,579
TOTAL CURRENT ASSETS		**959,890,186**	737,603,650
TOTAL ASSETS		**1,297,970,479**	1,069,848,805
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	17	**600,000,000**	150,000,000
Statutory reserve	17	**39,577,074**	22,967,876
Actuarial valuation reserve	18	**(5,545,632)**	(3,739,413)
Proposed increase in capital	32	**-**	450,000,000
Retained earnings		**170,705,262**	21,222,480
TOTAL SHAREHOLDERS' EQUITY		**804,736,704**	640,450,943
NON-CURRENT LIABILITIES			
Lease liability – non-current portion	7	**43,127,109**	41,936,474
Employees' defined benefit liabilities	18	**45,159,785**	39,668,205
TOTAL NON-CURRENT LIABILITIES		**88,286,894**	81,604,679
CURRENT LIABILITIES			
Lease liability – current portion	7	**6,975,731**	6,924,936
Refund liabilities	13	**1,235,758**	1,150,025
Due to related parties	14	**196,710**	187,314
Trade payables, accruals, and others	19	**356,023,853**	181,048,705
Short term loans	20	**-**	128,000,000
Zakat payable	21	**14,802,310**	5,285,909
VAT payable		**25,712,519**	25,196,294
TOTAL CURRENT LIABILITIES		**404,946,881**	347,793,183
TOTAL LIABILITIES		**493,233,775**	429,397,862
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,297,970,479**	1,069,848,805

Assim Mohamed Al Attas CFO	Thamer Abdulaziz Abanumay CEO	Saleh Abdullah Almunajem Chairman

The attached notes 1 to 36 form part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	***2021 SR***	*2020 SR*
Revenue	15	**2,577,023,654**	2,538,453,897
Cost of revenue		**(2,135,649,691)**	(2,050,908,967)
GROSS PROFIT		**441,373,963**	487,544,930
Depreciation of right-of-use assets	7	**(8,072,636)**	(7,795,692)
Selling and distribution expenses	22	**(232,133,490)**	(228,365,124)
General and administrative expenses	23	**(22,287,017)**	(20,502,289)
		(262,493,143)	(256,663,105)
OPERATING PROFIT		**178,880,820**	230,881,825
Other income, net	24	**5,636,748**	10,903,006
Finance costs	25	**(3,759,006)**	(4,871,195)
PROFIT BEFORE ZAKAT FOR THE YEAR		**180,758,562**	236,913,636
Zakat	21	**(14,666,582)**	(7,234,875)
PROFIT FOR THE YEAR		**166,091,980**	229,678,761
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of employees' defined benefit liabilities	18	**(1,806,219)**	(2,238,659)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**164,285,761**	227,440,102
Earnings per share			
Earnings per share attributable to ordinary equity holders of the Company (basic and diluted)	27	**3.10**	4.28

The attached notes 1 to 36 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital SR	*Propose increase in capital SR*	*Statutory reserve SR*	*Actuarial valuation reserve(note 18) SR*	*Retained earnings SR*	*Total SR*
As at 1 January 2020	150,000,000	-	75,000,000	(1,500,754)	240,202,303	463,701,549
Profit for the year	-	-	-	-	229,678,761	229,678,761
Other comprehensive loss	-	-	-	(2,238,659)	-	(2,238,659)
Total comprehensive income	-	-	-	(2,238,659)	229,678,761	227,440,102
Dividends (note 28)	-	-	-	-	(158,276,809)	(158,276,809)
Transfer from due to shareholders to proposed increase incapital (note 32)	-	107,586,101	-	-	-	107,586,101
Transfer from statutory reserve and retained earnings to proposed increase in capital (note 32)	-	342,413,899	(75,000,000)	-	(267,413,899)	-
Transfer to statutory reserve	-	-	22,967,876	-	(22,967,876)	-
As at 31 December 2020	150,000,000	450,000,000	22,967,876	(3,739,413)	21,222,480	640,450,943
Profit for the year	-	-	-	-	166,091,980	166,091,980
Other comprehensive loss	-	-	-	(1,806,219)	-	(1,806,219)
Total comprehensive income	-	-	-	(1,806,219)	166,091,980	164,285,761
Proposed increase in capital (note 32)	450,000,000	(450,000,000)	-	-	-	-
Transfer to statutory reserve	-	-	16,609,198	-	(16,609,198)	-
As at 31 December 2021	**600,000,000**	**-**	**39,577,074**	**(5,545,632)**	**170,705,262**	**804,736,704**

The attached notes 1 to 36 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	*2021* *SR*	*2020* *SR*
OPERATING ACTIVITIES			
Profit before zakat		**180,758,562**	236,913,636
Non-cash adjustments to reconcile profit before zakat to net cash flows from operatingactivities			
Depreciation of right-of-use assets	7	**8,107,547**	7,812,516
Depreciation of property, plant and equipment	8	**26,460,299**	27,826,381
Amortization of intangible assets	9	**1,555,959**	1,349,979
Interest on lease liabilities	25	**1,242,512**	1,131,884
Interest on employees' defined benefit liabilities	25	**932,203**	1,038,923
Interest charged on short term loans	25	**1,584,291**	2,700,388
Allowance for expected credit losses on trade receivables	11	**4,402,885**	2,182,278
Provision for slow moving & obsolete items	16	**500,000**	-
Write off of intangible assets		**47**	-
Gain on disposal of property, plant and equipment	24	**(3,463,093)**	(3,120,355)
Employees' defined benefit liabilities	18	**4,328,521**	4,115,873
		226,409,733	281,951,503
Working capital adjustments:			
Trade receivable		**(23,472,741)**	(15,413,948)
Prepayments and other assets		**(26,211,173)**	7,912,444
Inventories		**(67,004,960)**	(28,178,548)
Right of return assets		**(53,190)**	(431,995)
Trade payables, accruals, and others		**174,975,148**	(20,125,310)
Refund liabilities		**85,733**	410,025
VAT payable		**516,225**	25,010,828
Due to related parties		**9,396**	(410,571)
Due from related parties		**(44,828,153)**	(34,813,551)
		240,426,018	215,910,877
Finance costs paid		**(1,584,291)**	(2,793,321)
Employees' defined benefit liabilities paid	18	**(1,575,363)**	(2,518,804)
Zakat paid	21	**(5,150,181)**	(4,729,108)
Net cash from operating activities		**232,116,183**	205,869,644
INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment	8	**(32,451,354)**	(18,895,703)
Proceeds from disposal of property, plant and equipment		**3,751,232**	17,272,080
Payments for purchase of intangible assets	9	**(200,549)**	(609,847)
Net cash used in investing activities		**(28,900,671)**	(2,233,470)
FINANCING ACTIVITIES			
Payment lease liabilities	7	**(9,596,308)**	(8,543,787)
Proceeds from short term loans	20	**3,080,000,000**	4,781,000,000
Repayments of short-term loans	20	**(3,208,000,000)**	(4,818,000,000)
Dividends paid	28	**-**	(158,276,809)
Net cash used in financing activities		**(137,596,308)**	(203,820,596)
Increase (Decrease) in bank balances and cash		**65,619,204**	(184,422)
Bank balances and cash at the beginning of the year	10	**19,906,229**	20,090,651
Bank balances and cash at the end of the year	10	**85,525,433**	19,906,229
Non-cash transactions			
Transfer from due to shareholder account to proposed increase in capital	32	-	107,586,101
Right of use assets	7	**9,595,226**	9,816,521
Lease liability	7	**9,595,226**	9,816,521

The attached notes 1 to 36 form part of these financial statements.

1. ORGANISATION AND ACTIVITIES

Almunajem Foods Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia (KSA) under commercial registration numbered 1010231822, dated 7 Rabie Thani 1428H (corresponding to 24 April 2007). The registered address of the Company is located at Riyadh, P O Box 1544, Riyadh 11441, KSA.

The Company is a subsidiary of Abdullah Al Ali Al Munajem Sons Company (the "Parent") which is a Closed Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010000565 dated 11 Dhu Al-Qidah 1376H (corresponding to 10 June 1957). The registered address of the Parent is located at Riyadh, P O Box 2395, Riyadh 11451, KSA.

On 11 October 2020 the shareholders decided to go for an IPO. Also, the shareholders decided in their meeting dated 2 November 2020 to convert the Company from Limited Liability Company to a Closed Joint Stock Company. In addition, the Company's name has been changed from "Almunajem Cold Stores Company" to "Almunajem Foods Company" (A Saudi Joint Stock Company). Legal formalities are completed subsequent to year-end on 17 February 2021 (note 17). As of 28 September 2021, the Capital Market Authority ("CMA") Board has issued its resolution approving Almunajem Foods Company's ("the Company") application for the offering of (18,000,000) shares representing (30%) of the Company's share capital. As of 20 December 2021, the Company's shares became listed on the Saudi Stock Exchange (Tadawul) in the Kingdom of Saudi Arabia.

The Company is engaged in wholesale and retail trading in fruits, vegetables, cold and frozen poultry and meat, bottled, food stuff, through its following branches:

Commercial registration	*Branch location*
1131026002	Burieda
2050059043	Dammam
4030176226	Jeddah
5855030212	Khamis Mushait
4650046753	Madina
3550027505	Tabouk
3350031238	Hail
2250045420	Ahsa
4031067309	Makkah
4032032800	Taif
5900017953	Jizan
1010401313	Riyadh
1010465454	Riyadh
4030291805	Jeddah
1010653210	Riyadh
3400119907	Sakaka

2. BASIS OF PREPARATION

2.1 Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB") as endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

2.2 Judgments and estimates
The preparation of financial statements in conformity with the IFRS as endorsed in KSA requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Refer to (Note 5).

2.3 Basis of measurement
These financial statements have been prepared under the historical cost basis except for the employees' defined benefit liabilities, which has been measured in accordance with the projected unit credit method.

2.4 Presentation and functional currency
The financial statements are presented in Saudi Riyals (SR) which is also the functional currency of the Company.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company.

COVID-19 Related Rent Concessions beyond 30 June 2021 *Amendments to IFRS 16*
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are significant accounting policies applied in the preparation of these financial statements:

Current versus non-current classification
The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when:
(a) it expects to realise the asset, or intends to sell or consume it, in the entity's normal operating cycle.
(b) it holds the asset primarily for the purpose of trading.
(c) it expects to realise the asset within twelve months after the reporting date; or
(d) the asset is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for atleast twelve months after the reporting date.

All other assets are classified as non-current. A liability is current when:
(a) it expects to settle the liability in the entity's normal operating cycle.
(b) it holds the liability primarily for the purpose of trading.
(c) the liability is due to be settled within twelve months after the reporting date; or
(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months afterreporting date.

The Company classifies all other liabilities as non-current.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing an asset or a liability, if market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets consist of bank balances and cash, trade receivables and other current financial assets and due from related parties. Financial liabilities consist of accounts payable and other liabilities and due to a shareholder, due to related parties, lease liabilities and short-term loans.

Revenue from contracts with customers

The Company is in the business of wholesale and retail trading in fruits, vegetables, cold and frozen poultry and meat, bottled, food stuff. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Sale of goods

Revenue is income arising from the sale of goods in the ordinary course of the Company's activities, net of value added taxes. Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. Revenue from sale of goods is recorded at the fair value of consideration received or receivable, net of returns and allowances and trade discounts.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of products provide customers with a right to return the goods within a specified period. The rights of return give rise to variable consideration.

Rights of return

The Company uses the expected value method to estimate the variable consideration given the large number contracts that have similar characteristics. The Company then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of revenue) is also recognised for the right to recover the goods from the customer.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods (continued)

Volume rebates
The Company applies the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The expected value method is used for those with more than one volume threshold. The Company then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the expected future rebates (i.e., the amount not included in the transaction price). All volume rebates are treated as discounts and the customers pay the net amount after discount.

The disclosures of significant estimates and assumptions relating to the estimation of variable consideration for returns and volume rebates are provided in (note 5).

(ii) Trade receivables
A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section Financial instruments.

(iii) Assets and liabilities arising from rights of return

Right of return assets
A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Company updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities
A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Company's refund liabilities arise from customers' right of return. The liability is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Segmental reporting
An operating segment is a component: i) engaged in business activities from which it may earn revenue and incur expenses including revenue and expenses that relate to transactions with any of the Company's other components; ii) the results of its operations are continuously analyzed by chief operating decision maker in order to make decisions related to resource allocation and performance assessment; and iii) for which financial information is discretely available. Segment results that are reported to the chief operating decision maker and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Property, plant and equipment
Property, plant and equipment "PPE", except for freehold lands and capital work-in-progress, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Freehold lands are stated at cost, net of accumulated impairment losses, if any. Such costs include the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss and other comprehensive income as an expense as incurred.

Freehold lands and capital work-in-progress are stated at cost net of accumulated impairment, if any and represents all costs relating directly or indirectly to the acquisition or construction of assets where acquisition or construction is in progress and will be transferred to relevant category of property, plant and equipment once completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The cost less estimated residual value of remaining property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, effective from the date when it was available for use, as follows:

Category of property, plant, and equipment	*Useful lives*
Buildings	33.3 years
Plant and equipment	6.67 to 10 years
Furniture and fixture	10 years
Computers	5 years
Motor vehicles	5 to 8 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income, in other income, when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Category of lease	*Useful lives*
Land	20 years
Buildings and leasehold improvement	3 to 10 years
Motor vehicles	3 to 5 years

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) that depend on a rate.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Most of storage revenue contracts are short term and renewed automatically.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

The Company applies an annual rate of amortization of 5 years to its computers' software and accounted for on a straight-line basis.
An intangible asset is derecognized on disposal (i.e., at the date the recipient obtains control), or when no future economic benefits are expected from use or disposal. Any gain or loss arising upon derecognition of the asset, (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in other income.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For the purpose of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses uponderecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

The effective interest method is a method of calculating the amortised cost of a financial asset (or a group of financial assets) and of allocating the interest income or interest expense over the relevant period.

Bank balances and cash
Bank balances and cash comprise cash at banks and on hand and are subject to an insignificant risk of changes in value.

Trade receivable and other current financial assets
Trade receivables and other current financial assets are measured at amortized cost and comprise of trade receivables and other current financial assets.

Due from related parties
Amounts due from related parties are measured at amortized cost and paid within 30 to 45 days.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company does not have debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have equity instruments at fair value through OCI.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes financial assets which the Company had not irrevocably elected to classify at fair value through OCI.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12- months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, certain other payables, short term loans, lease liabilities and due to related parties. At 31 December 2021, all the Company's financial liabilities are classified at amortised cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Financial liabilities

Subsequent measurement
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

Trade payable, and other payable
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

Due to related parties
Amounts due to related parties are measured at amortized cost and paid within 30 to 45 days except for lease liability based on the lease agreement.

Short term loans and lease liabilities
Short term loans and lease liabilities are measured at amortized cost.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income in general and administrative expenses.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Inventories
Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories, including other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Goods in transit
Goods-in-transit are goods for resale or finished goods or raw materials that have been shipped by a supplier but have not yet been received by the buyer. The Company recognizes goods-in-transit in accordance with incoterms with suppliers. Goods-in-transit are recorded at landed cost included freight and insurance, if any.

Impairment of non-financial assets
The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed to the statement of profit or loss and other comprehensive income.

Contingencies

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. Liabilities which are probable are recorded in the financial statement under accounts payable and accruals. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Zakat

From 2008 until 2020 zakat was calculated by the Parent Company on a combined basis including its effectively wholly legally owned subsidiaries in accordance with Saudi Arabian fiscal regulations. The Company's share of this provision was charged to statement of profit or loss and other comprehensive income based on allocation by the Parent Company.

Starting 1 January 2021, the Company is filling its zakat return on a standalone basis.

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is recognised in the statement of profit or loss and other comprehensive income. Zakat liability is estimated in the financial statements which is finally calculated at year end. Additional amounts, if any, that may become due on finalisation of an assessment are accounted for in the year in which assessment is finalized.

Withholding tax

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Dividends distribution

The Company establishes the obligations related to paying the cash dividends to the Company's shareholders when approving the distribution. According to the Companies Law, dividends are approved upon approval by the shareholders. The corresponding amount is directly recognized in equity.

Employees' defined benefit obligations

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, and child education allowances that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented in accounts payable, accruals and other current liabilities in the statement of financial position.

Post-employment obligation

Defined benefit plans:

The Company primarily has end of service benefits which qualify as defined benefit plans.

Defined benefit obligation ("DBO") is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the DBO and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss and other comprehensive income.

DBO costs for periods are calculated on a year-to-date basis using the actuarially determined plan cost rate at the end of the prior year, adjusted for significant market fluctuations and for any significant one-off events, such as plan amendments, curtailments and settlements. In the absence of such significant market fluctuations and one-off events, the actuarial liabilities are rolled forward based on the assumptions as at the beginning of the year. If there are significant changes to the assumptions or arrangements during the period, consideration is given to re-measure such liabilities.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of profit or loss and other comprehensive income while unwinding of the liability at discount rates used are recorded as a finance cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

In the Kingdom of Saudi Arabia, for the liability for employees' end of service benefits, the actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labor law.

Statutory reserve

As required by Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net profit in each year until it has built up a reserve equal to 30% of the capital. The reserve is not available for distribution.

Foreign currency transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. Differences arising on settlement or translation of monetary items are recognised in cost of sales. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material difference in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Company used these assumptions and estimates on the basis available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Judgements
In the process of applying the Company's accounting policies, management has not made any judgements apart from those involving estimation, which has the most significant effect on the amounts recognised in the financial statements.

Provision for expected credit losses of trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Provisions
By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgment in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

Economic useful lives of property and equipment and intangible assets
The useful lives of property, plant and equipment and intangible assets are estimated based on the economic lives of the property, plant and equipment and intangible assets and on the collective assessment of industry practice and experience with similar assets. The estimated useful lives of the property, plant and equipment and intangible assets are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in any of the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has a lease contract that includes extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Company included the renewal period as part of the lease term for leases of two buildings The Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of land and buildings with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Company typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Revenue recognition - Estimating variable consideration for returns and volume rebates

The Company estimates variable considerations to be included in the transaction price for the sale of the products with rights of return and volume rebates.

The Company has developed a statistical model for forecasting sales returns. The model uses the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Company.

The Company's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

The Company applied the statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Company.

The Company updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Company's past experience regarding returns may not be representative of customers' actual returns in the future.

Defined benefit plans

The cost of the defined benefit plan and the present value of the obligation is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

Defined benefit plans (continued)

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AAA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for Saudi Arabia. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and increases are based on expected future inflation rates for Saudi Arabia.

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND OTHER AMENDMENTS

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact of the amendments on the current practice and whether existing loan agreements may require renegotiation.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND OTHER AMENDMENTS (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. As of the reporting date, the Company does not have any impact with respect to this amendment.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-timeadopter
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND OTHER AMENDMENTS (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

IAS 41 Agriculture – Taxation in fair value measurements
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Company.

Definition of Accounting Estimates – Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the how the amendments will impact on the Company's accounting policy disclosures.

7. LEASES

The Company has lease contracts for buildings, land and motor vehicles used in its operations. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Buildings *SR*	*Land** *SR*	*Motor vehicles* *SR*	***Total*** ***SR***
As at 1 January 2020	4,994,799	30,653,607	9,293,514	**44,941,920**
Additions	4,214,375	296,121	5,306,025	**9,816,521**
Depreciation	(1,400,508)	(1,552,652)	(4,859,356)	**(7,812,516)**
As at 1 January 2021	7,808,666	29,397,076	9,740,183	**46,945,925**
Additions	2,032,568	270,458	7,292,200	**9,595,226**
Depreciation	(1,592,135)	(1,562,505)	(4,952,907)	**(8,107,547)**
At 31 December 2021	8,249,099	28,105,029	12,079,476	**48,433,604**

* This includes a lease contract with a shareholder. Refer to (note 14) for further details on related parties' transactions and balances.

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	2021 ***SR***	*2020* *SR*
As at 1 January	**48,861,410**	46,456,792
Additions	**9,595,226**	9,816,521
Accretion of interest (note 25)	**1,242,512**	1,131,884
Payments	**(9,596,308)**	(8,543,787)
As at 31 December	**50,102,840**	48,861,410
Current	**6,975,731**	6,924,936
Non-Current	**43,127,109**	41,936,474

The following are the amounts recognised in profit or loss:

	2021 ***SR***	*2020* *SR*
Depreciation expense of right-of-use assets	**8,072,636**	7,795,692
Depreciation expense of right-of-use assets charged on cost of sales	**34,911**	16,824
Interest expense on lease liabilities (note 25)	**1,242,512**	1,131,884
Expense relating to short-term leases (note 22)	**1,427,680**	1,476,685
Total amount recognised in profit or loss	**10,777,739**	10,421,085

The Company has two lease contracts that include extension options. This option is negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether this extension option is reasonably certain to be exercised.

Company as a lessor
The Company has entered into operating leases on its storage space. These leases are short term leases. Rental income recognised by the Company during the year is SR 8,313,967 (2020: SR 7,102,585).

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold lands	*Buildings*	*Plant and equipment*	*Furniture and fixture*	*Computers*	*Motor vehicles*	*Construction work in progress*	***Total***
Cost:	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	***SR***
At 1 January 2020	83,954,109	177,007,330	121,152,626	23,158,903	13,436,191	108,505,042	10,773,833	**537,988,034**
Additions	-	593,688	2,209,854	902,602	599,929	8,696,970	5,892,660	**18,895,703**
Disposals	-	-	(6,775,308)	(4,873,291)	(1,037,100)	(12,042,453)	-	**(24,728,152)**
Disposal to related party (note14)	(11,491,841)	(5,264,745)	(762,845)	-	-	-	(103,629)	**(17,623,060)**
Transfer	-	8,175,480	4,875,498	1,012,819	926,866	-	(14,990,663)	-
At 31 December 2020	72,462,268	180,511,753	120,699,825	20,201,033	13,925,886	105,159,559	1,572,201	**514,532,525**
Additions	-	5,776,404	14,449,117	2,246,538	715,369	9,263,926	-	**32,451,354**
Disposals	-	-	(467,000)	(90,492)	(754,367)	(8,381,821)	-	**(9,693,680)**
Disposal to related party (note14)	-	-	-	-	-	(668,944)	-	**(668,944)**
Transfer	-	-	-	-	-	1,572,201	(1,572,201)	-
At 31 December 2021	**72,462,268**	**186,288,157**	**134,681,942**	**22,357,079**	**13,886,888**	**106,944,921**	**-**	**536,621,255**
Depreciation:								
At 1 January 2020	-	43,644,774	86,382,746	16,065,805	11,769,757	76,008,891	-	**233,871,973**
Charge for the year	-	5,415,016	8,473,170	1,476,599	649,617	11,811,979	-	**27,826,381**
Disposals	-	-	(6,774,969)	(4,871,158)	(1,036,862)	(11,947,272)	-	**(24,630,261)**
Disposal to related party (note 14)	-	(2,858,908)	(710,318)	-	-	-	-	**(3,569,226)**
At 31 December 2020	-	46,200,882	87,370,629	12,671,246	11,382,512	75,873,598	-	**233,498,867**
Charge for the year	-	5,525,778	8,647,390	1,535,500	807,522	9,944,109	-	**26,460,299**
Disposals	-	-	(466,999)	(81,945)	(751,631)	(8,111,741)	-	**(9,412,316)**
Disposal to related party (note14)	-	-	-	-	-	(662,169)	-	**(662,169)**
At 31 December 2021	**-**	**51,726,660**	**95,551,020**	**14,124,801**	**11,438,403**	**77,043,797**	**-**	**249,884,681**
Net book value:								
At 31 December 2021	**72,462,268**	**134,561,497**	**39,130,922**	**8,232,278**	**2,448,485**	**29,901,124**	**-**	**286,736,574**
At 31 December 2020	72,462,268	134,310,871	33,329,196	7,529,787	2,543,374	29,285,961	1,572,201	281,033,658

a) Buildings with net book value amounting to SR 25.7 million (31 December 2020: SR 26.8 million) are constructed on land leased from a related party under long term lease for aperiod of 20 years from 1 January 2020.

b) Building with net book value amounting to SR 13.4 million (31 December 2020: SR 9.02 million) is constructed on land leased from Saudi Industrial Property Authority (Modon)for a period of 20 years from 26 March 2018 (corresponding to 9 Rajab 1439 H). The Company has the option of renewing the lease agreement on expiry of the initial lease term.

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charge for the year is allocated as follows:

	2021 ***SR***	*2020* *SR*
Cost of revenue	**2,636,809**	2,447,291
Selling and distribution expenses (note 22)	**23,381,744**	24,965,920
General and administrative expenses (note 23)	**441,746**	413,170
	26,460,299	27,826,381

9. INTANGIBLE ASSETS

	Computer software *SR*
Cost:	
At 1 January 2020	23,503,993
Additions	609,847
At 31 December 2020	24,113,840
Additions	200,549
Write off	(1,406)
At 31 December 2021	**24,312,983**
Amortization:	
At 1 January 2020	18,498,289
Charge for the year	1,349,979
At 31 December 2020	19,848,268
Charge for the year	1,555,959
Write off	(1,359)
At 31 December 2021	**21,402,868**
Net book value:	
At 31 December 2021	**2,910,115**
At 31 December 2020	4,265,572

Amortization charge for the year is allocated as follows:

	2021 ***SR***	*2020* *SR*
General and administrative expenses (note 23)	**1,347,462**	1,281,788
Selling and distribution expenses (note 22)	**208,497**	68,191
	1,555,959	1,349,979

10. BANK BALANCES AND CASH

	2021	*2020*
	SR	*SR*
Cash at banks	**82,651,450**	17,571,434
Cash on hand	**2,873,983**	2,334,795
	85,525,433	19,906,229

At 31 December 2021, the Company had available SR 520,000,000 (31 December 2020: SR 492,000,000) of undrawn committed borrowing facilities.

11. TRADE RECEIVABLES

	2021	*2020*
	SR	*SR*
Trade receivables	**230,965,617**	207,570,533
Less: Provision for expected credit losses	**(11,131,637)**	(6,806,409)
	219,833,980	200,764,124

Terms and conditions of the above financial assets:
Trade receivables are non-interest bearing and are generally on terms from 15 to 60 days. It is not the practice of the Company to obtain collateral over receivables and the vast majority is, therefore, unsecured.

The movement in the provision for expected credit losses during the years ended 31 December was as follows:

	2021	*2020*
	SR	*SR*
At the beginning of the year	**6,806,409**	4,624,131
Provision for expected credit losses (note 22)	**4,402,885**	2,182,278
Write-off	**(77,657)**	-
As at the end of the year	**11,131,637**	6,806,409

Please refer to (note 26.3) for information about the credit risk exposure on the Company's trade receivables using a provision matrix.

12. PREPAYMENTS AND OTHER ASSETS

	2021	*2020*
	SR	*SR*
Advances to suppliers and contractors	**29,058,080**	4,642,664
Prepayments	**9,987,544**	7,905,653
Employee receivables	**458,405**	393,366
Others	**1,143,917**	1,495,090
	40,647,946	14,436,773

13. RIGHT OF RETURN ASSETS AND REFUND LIABILITIES

	2021	*2020*
	SR	*SR*
Right of return assets	**1,029,967**	976,777
Refund liabilities	**1,235,758**	1,150,025

14. RELATED PARTIES DISCLOSURES

Related parties represent major shareholders, director and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the statement of profit or loss and other comprehensive income are as follows:

2021	***Sales SR***	***Purchases SR***	***Expenses SR***	***PPE purchase/Selling SR***
France Poultry (a subsidiary to the parent company)	-	475,702,504	-	-
Shawaya House Company (a subsidiary to the parent company)	38,953,372	-	198,220	-
Gulf Catering Company (a subsidiary to the parent company)	12,057,223	-	1,130,548	200,000
Nutrition and Diet Center Company (a subsidiary to the parent company)	5,487,180	1,693,864	3,327,516	3,702,669
Az-Zad Saudi Company (a subsidiary to the parent company)	1,034,282	-	68,776	-
Thati Limited Company (a subsidiary to the parent company)	524,128	-	2,661	-
Burieda Trading and Refrigeration Company (a subsidiary to the parent company)	-	-	273,019	4,056,680
Al-Kafa'a Real State Company (a subsidiary to the parent company)	-	-	755,600	-
Abdullah Al Ali Al Munajem Sons Company (the parent company and a board member)	-	-	2,240,611	-
Four steps International (a company owned by a member of the board of directors)	-	-	95,306	-
Ali Abdullah Al Munajem (Shareholder in the parent company)	-	-	46,600	-

2020	*Sales SR*	*Purchases SR*	*Expenses SR*	*PPE disposal SR*
France Poultry (a subsidiary to the parent company)	-	468,743,760	-	-
Shawaya House Company (a subsidiary to the parent company)	31,490,110	156,111	632,136	-
Gulf Catering Company (a subsidiary to the parent company)	11,832,788	1,132,990	2,814,669	-
Nutrition and Diet Center Company (a subsidiary to the parent company)	6,266,441	2,420,222	3,764,376	-
Az-Zad Saudi Company (a subsidiary to the parent company)	974,061	193,881	101,352	-
Thati Limited Company (a subsidiary to the parent company)	1,542,210	-	75,999	-
Burieda Trading and Refrigeration Company (a subsidiary to the parent company)	-	2,846,392	464,342	-
Al-Kafa'a Real State Company (a subsidiary to the parent company)	-	-	1,155,755	14,053,834
Abdullah Al Ali Al Munajem Sons Company (the parent company and a board member)	-	-	402,124	-
Al Ameda Contracting Company (a subsidiary to the parent company)	-	-	5,000	-
Ali Abdullah Al Munajem (Shareholder in the parent company)	-	-	46,600	-

14. RELATED PARTIES DISCLOSURES (continued)

Balances with related parties included in the statement of financial position are as follows:

a) Amounts due from related parties

The breakdown of amounts due from related parties is as follows:

	2021	*2020*
	SR	*SR*
France Poultry	**116,284,184**	71,043,712
Shawaya House Company	**7,381,216**	7,150,774
Gulf Catering Company	**1,763,183**	720,017
Nutrition and Diet Center Company	**714,713**	1,025,235
Thati Limited Company	**118,287**	473,886
Az-Zad Saudi Company	**93,738**	151,715
Gulf Catering Food Factory (Kako)	**-**	542,887
Burieda Trading and Refrigeration Company	**-**	418,942
	126,355,321	81,527,168

The above balances are unsecured, interest free and settled within 30-45 days. The management estimates the allowance on due from related party balance at the reporting date at an amount equal to lifetime ECL. No receivable balances from related parties at the reporting date are past due, taking into account the historical default experience and the future prospects of the industries in which the related parties operate. Management considers that related party balances are not impaired. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the allowances for balances due from related parties.

b) Amounts due to related parties

The breakdown of amounts due to related parties is as follows:

	2021	*2020*
	SR	*SR*
Burieda Trading and Refrigeration Company	**196,710**	-
Sudair Frozen Factory	**-**	146.950
Abdullah Al Ali Al Munajem Sons Company	**-**	40,364
	196,710	187,314

Leases for land contain a lease with a shareholder. Right of use assets amounting to SR 27,586,148 and lease liability amounting to SR 29,519,725 pertain to this lease (note 7).

Terms and conditions of the above due to related parties:

These amounts are non-interest bearing and are generally on terms of 30 to 45 days.

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Outstanding balances at year-end arise in the normal course of business. For the year ended 31 December 2021 and 2020, the amounts owed by related parties are not impaired.

c) Key management compensation

Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing, and controlling the activities of the Company. The compensation to key management is shown below:

	2021	*2020*
	SR	*SR*
Short-term employee benefits	**7,029,566**	4,700,449
Employees' defined benefit liabilities	**374,112**	357,528
	7,403,678	5,057,977

* Key management remuneration includes SR 1.4 million (202: SR nil) pertaining to board of directors remuneration.

15. REVENUE

	2021	*2020*
	SR	*SR*
Non-retail - goods transferred at a point in time	**1,589,882,160**	1,483,240,508
Retail - goods transferred at a point in time	**978,827,527**	1,048,110,804
Storage rent revenue	**8,313,967**	7,102,585
	2,577,023,654	2,538,453,897

	2021	*2020*
Timing of revenue recognition	***SR***	*SR*
Goods transferred at a point in time	**2,568,709,687**	2,531,351,312
Storage rent revenue– over time	**8,313,967**	7,102,585
	2,577,023,654	2,538,453,897

Revenue is generated inside the Kingdom of Saudi Arabia.

16. INVENTORIES

	2021	*2020*
	SR	*SR*
Goods for resale	**286,556,992**	315,325,512
Goods in transit	**190,861,008**	94,599,890
Spares and consumables	**9,579,539**	10,067,177
Less: Allowance for slow moving and obsolete items	**(500,000)**	-
	486,497,539	419,992,579

The movement of slow moving and obsolete items is as following:

	2021	*2020*
	SR	*SR*
Balance as of 1 January	**-**	-
Charge for the year*	**500,000**	-
Balance as of 31 December	**500,000**	**-**

During 2021, SR 2,125,694,194 (2020: SR 2,057,148,061) was recognised as an expense for inventories carried at net realizable value. This is recognised in cost of revenue.

*This pertains to specifically identified spares that are no longer useable.

17. SHARE CAPITAL AND STATUTORY RESERVE

a) Share Capital

During the year 2020, the shareholders of the Company in their meeting held on 16 Rabi' al-Awwal 1442H (corresponding to 2 November 2020) resolved to increase the share capital of the Company from SR 150,000,000 to SR 600,000,000 (divided into 60,000,000 shares of SR 10 each) by transferring an amount of SR 450,000,000 from proposed increase in capital and to change the legal structure of the Company from a limited liability company to a closed joint stock company. The legal formalities for the increase in share capital and change of legal structure, including approval by the Ministry of Commerce and issuance of ministerial resolution, were completed on 5 Rajab 1442H (corresponding to 17 February 2021). Further, the Company also obtained approval from Ministry of Commerce to continue with the current financial year from I January 2021 to 31 December 2021 and accordingly exempted from preparing cut-off financial statement at the date of conversion to a Saudi joint stock company.

17. SHARE CAPITAL AND STATUTORY RESERVE (continued)

a) Share Capital (continued)

Authorized, issued and paid-up capital is divided into 60,000,000 shares (31 December 2020: 150,000 shares) of SR 10 each (31 December 2020: 1,000 each).

On 11 October 2020 the shareholders decided to go for an IPO. Also, the shareholders decided in their meeting dated 2 November 2020 to convert the Company from Limited Liability Company to a Closed Joint Stock Company. In addition, the Company's name has been changed from "Almunajem Cold Stores Company" to "Almunajem Foods Company" (A Saudi Closed Joint Stock Company). Legal formalities are completed during the year ended 31 December 2021. As of 28 September 2021, the Capital Market Authority ("CMA") Board issued its resolution approving Almunajem Foods Company's ("the Company") application for the offering of (18,000,000) shares representing (30%) of the Company's share capital. As of 20 December 2021, the Company's shares became listed on the Saudi Stock Exchange (Tadawul) in the Kingdom of Saudi Arabia.

b) Statutory Reserve

In accordance with Saudi Arabian Regulations for Companies and the Company's by-law, the Company must transfer 10% of its net income by the end of each year, until this reserve reaches 30% of the share capital. This reserve is not available for distribution

18. EMPLOYEES' DEFINED BENEFITS LIABILITIES

	2021	*2020*
	SR	*SR*
At the beginning of the year	**39,668,205**	34,793,554
Current service cost	**4,328,521**	4,115,873
Interest cost (note 25)	**932,203**	1,038,923
Payment	**(1,575,363)**	(2,518,804)
Actuarial loss	**1,806,219**	2,238,659
At the end of the year	**45,159,785**	39,668,205

The most recent actuarial valuation was performed by an independent, qualified actuary "United Co. for Actuarial Services (CAIS)" using the Projected Unit Credit Method. United Co. for Actuarial Services (CAIS) are licensed from the "Licensed by the Saudi Central Bank and other regulators"
The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2021	*2020*
	SR	*SR*
Discount rate	**3.10%**	2.35%
Average duration of the liability (in years)	**8.00**	10.00
Rate of salary increases	**2.00%**	2.00%

All movements in the employees' defined benefit liabilities are recognized in statement of profit or loss except for the actuarial loss, which is recognized as other comprehensive income.

Movements in actuarial loss reserve recognised in OCI are as follows:

	2021	*2020*
	SR	*SR*
At the beginning of the year	**3,739,413**	1,500,754
Actuarial loss on the obligation	**1,806,219**	2,238,659
At the end of the year	**5,545,632**	3,739,413

18. EMPLOYEES' DEFINED BENEFITS LIABILITIES (continued)

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	2021 ***SR***	*2020* *SR*
Increase in discount rate of 1%	**(3,402,693)**	(3,153,711)
Decrease in discount rate of 1%	**3,905,015**	3,655,110
Increase in rate of salary increase of 1%	**4,129,852**	3,630,263
Decrease in rate of salary increase of 1%	**(3,658,714)**	(3,192,876)

The following are the expected payments or contributions to the employees in future years:

	2021 ***SR***	*2020* *SR*
Within the next 12 months (next annual reporting period)	**4,246,909**	5,653,294
Between 2 and 5 years	**14,539,379**	16,149,359
Beyond 5 years	**40,579,955**	21,891,215
	59,366,243	43,693,868

19. TRADE PAYABLES, ACCRUALS AND OTHERS

	2021 ***SR***	*2020* *SR*
Trade payables	**322,249,533**	149,777,122
Accrued expenses	**30,487,440**	29,098,804
Advances from customers	**1,382,325**	762,544
Other payables	**1,904,555**	1,410,235
	356,023,853	181,048,705

Terms and conditions of the liabilities:

* Trade and other payables are non-interest bearing and have a term of 30 to 90 days.

20. SHORT-TERM LOANS

The Company has obtained Murabaha and Tawaruq loans from local banks for financing the Company's working capital requirements. Some loan facilities are secured by corporate guarantee from the Parent Company and carry interest at commercial rates at SIBOR + 1% and have a maturity of less than a month.

As of 31 December 2021, the Company has obtained total loan facilities amounting to SR 520,000,000 (2020: SR 620,000,000) and no utilization as of 31 December 2021 (2020: SR 128,000,000).

The movement in short term loans is as follows:

	2021 ***SR***	*2020* *SR*
At 1 January	**128,000,000**	165,000,000
Proceeds from short term loans	**3,080,000,000**	4,781,000,000
Payments of short-term loans	**(3,208,000,000)**	(4,818,000,000)
At 31 December	**-**	128,000,000

21. ZAKAT PAYABLE

Abdullah Al Ali Almunajem Sons Company (the "Parent Company") and the Company initially filed their zakat declaration on a standalone basis until the year ended 31 December 2016. On 23 Muharram 1439 H (corresponding to 13 October 2017), the Parent Company obtained an approval from the Zakat, Tax and Customs Authority (ZTCA) to submit its zakat returns on a combined basis, including the Company and therefore, from 2008 and onwards, the Parent Company started filing the combined zakat declarations for all wholly owned subsidiaries, including the Company. Declaration for the years ended 31 December 2008 through 2016 have been already resubmitted with ZTCA. The Parent Company also submitted the combined zakat declarations for all wholly owned subsidiaries, including the Company, for the years from 2017 to 2020. The Parent Company has obtained the zakat certificate until 31 December 2020. Zakat expense used to be calculated by the Parent Company at the group level and allocated to the Company.

In view of the approval of IPO process (note 1) and change in the legal status of the Company during the current year end, the Parent Company has pledged that any additional liability that may arise upon the finalization of zakat assessments that may arise in the future related to the years from 2008 until 2020 will be settled by the Parent Company.

Zakat expense
The zakat charge for the year comprises of the following:

	2021	*2020*
	SR	*SR*
Current year provision	**14,802,310**	7,234,875
Adjustment for last year	**(135,728)**	-
Total provided during the year	**14,666,582**	7,234,875

The principal elements of the zakat base attributable to Saudi partners are as follows:

	2021
	SR
Equity	**644,190,356**
Opening allowances and other adjustments	**95,060,162**
Book value of long-term assets	**(338,080,293)**
	401,170,225
Profit subject to Zakat for the year	**190,922,171**
Zakat base	**592,092,396**
Zakat charge for the year 2.5%	**14,802,310**

No comparative figures of zakat base are disclosed due to the fact that the Company used to be under the combined zakat base of the parent company. Effective 1 January 2021, the Company is filling its zakat return on standalone basis.

Movement in the zakat provision:

	2021	*2020*
	SR	*SR*
At the beginning of the year	**5,285,909**	2,780,142
Current year provision	**14,666,582**	7,234,875
Payment during the year	**(5,150,181)**	(4,729,108)
At the end of the year	**14,802,310**	5,285,909

Status of assessments
Combined Zakat returns have been filed by the Parent Company, including the Company, with the Zakat, Tax and Customs Authority (ZATCA) for the years from 2008 to 2020.

22. SELLING AND DISTRIBUTION EXPENSES

	2021	*2020*
	SR	*SR*
Employee costs	**108,267,359**	107,014,831
Marketing expenses	**31,048,168**	31,220,742
Depreciation (note 8)	**23,381,744**	24,965,920
Utilities	**13,634,921**	12,843,553
Transportation and uploading expenses	**12,831,014**	10,717,193
Sales commission	**11,935,184**	11,865,455
Car running expenses	**9,397,738**	7,912,569
Allowance for ECL on trade receivables (note 11)	**4,402,885**	2,182,278
Insurance	**3,227,780**	3,345,257
Cold stores maintenance	**2,424,056**	2,063,648
Port detention/electric charges	**2,146,849**	2,504,695
Business travel expenses	**1,653,384**	1,104,937
Rental expenses (note 7)	**1,427,680**	1,476,685
Stationaries and printings	**799,786**	690,521
Allowance for slow moving & obsolete Items	**500,000**	-
Amortization (note 9)	**208,497**	68,191
Other expenses	**4,846,445**	8,388,649
	232,133,490	228,365,124

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	*2020*
	SR	*SR*
Employee costs	**15,392,767**	15,452,431
BOD remunerations (note 14)	**1,379,000**	-
Amortization (note 9)	**1,347,462**	1,281,788
Bank charges	**1,013,991**	985,639
Professional fees	**856,018**	307,555
Utilities	**703,711**	721,266
Depreciation (note 8)	**441,746**	413,170
Repair and maintenance	**273,796**	349,812
Transportation and travelling	**33,708**	73,164
Other expenses	**844,818**	917,464
	22,287,017	20,502,289

24. OTHER INCOME, NET

	2021	*2020*
	SR	*SR*
Gain on disposal of property, plant, and equipment	**3,463,093**	3,120,355
Foreign currencies difference	**1,442,220**	(3,434,681)
Gain from a contingent asset (note (a) below)	**-**	10,250,007
Other income	**731,435**	967,325
	5,636,748	10,903,006

a) During 2020, the Company filed and received an amount of SR 10.3 million which is related to a lawsuit raised against one of the suppliers.

25. FINANCE COSTS

	2021	*2020*
	SR	*SR*
Interest on short term loans	**1,584,291**	2,700,388
Interest on employees' defined benefit liabilities (note 18)	**932,203**	1,038,923
Interest on lease liabilities (note 7)	**1,242,512**	1,131,884
	3,759,006	4,871,195

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a. FINANCIAL ASSETS

	2021	*2020*
Financial assets at amortised cost:	***SR***	*SR*
Trade receivables	**219,833,980**	200,764,124
Due from related parties	**126,355,321**	81,527,168
	346,189,301	282,291,292
Bank balances and cash	**85,525,433**	19,906,229
Total financial assets	**431,714,734**	302,197,521

b. FINANCIAL LIABILITIES

	Effective Interest rate	***Maturity***	***2021***	*2020*
Current liabilities			***SR***	*SR*
Trade payables and other payables	Interest free	Less than 1 year	**354,641,528**	180,286,161
Short term loans	SIBOR+1%	Less than 1 month	**-**	128,000,000
Lease liabilities	2.26 %	Less than 1 year	**6,975,731**	6,924,936
Due to related parties	Interest free	Less than 1 year	**196,710**	187,314
			361,813,969	315,398,411
Non-current liabilities				
Lease liabilities	2.26 %		**43,127,109**	41,936,474

26.2 FAIR VALUES

Financial instruments comprise financial assets and financial liabilities.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Company's financial assets consist of bank balances and cash, trade receivables, other current financial assets and due from related parties. The Company's financial liabilities consist of trade payables, certain other payables, short term loans, lease liabilities and due to related parties.

The fair values of above financial assets and liabilities approximate their carrying amounts.

26.3 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities mainly comprise of trade payables, certain other payables, short term loans, lease liabilities and due to related parties. The Company's financial assets include of bank balances and cash, trade receivables, other current financial assets and due from related parties which are integral to and are directly derived out of its regular business.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The Senior Management reviews and agrees policies for managing each of these risks, which are summarised below.

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

26.3 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to two types of risk: interest rate risk, and foreign currency risk. Financial instruments affected by market risk include short term loans and payables denominated in foreign currency. There were no changes in these circumstances from the previous year.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's short-term loans have a short tenure and carry a floating rate of interest and is carried at amortized cost. Accordingly, management believes that the Company is not subject to any significant interest rate risk because it is a practice of the Company to settle all short-term debt obligations at the time of maturity which is generally one months. At 31 December 2021, the Company does not have any outstanding balance in this regard.

Interest rate sensitivity
The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before zakat is affected through the impact on floating rate borrowings, as follows:

	100 basis points increase SR	*100 basis points decrease SR*
2021	**-**	-
2020	**(1,280,000)**	1,280,000

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's purchases from outside suppliers mainly denominated in Euros. The foreign currency SR equivalent of Euro exposure in 2021 is SR 37,984,225 (2020: SR 30,651,365).

Foreign currency sensitivity
The following tables demonstrate the sensitivity to a reasonably possible change in SR and Euro exchange rates, with all other variables held constant.

The impact on the Company's profit before zakat is due to changes in the fair value of monetary assets and liabilities.

	5% increase in exchange rate SR	*5% decrease in exchange rate SR*
2021	**(1,899,211)**	1,899,211
2020	**(1,532,568)**	1,532,568

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables, other current financial assets and related parties' balances) and from its financing activities, including balances with banks.

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

26.3 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Trade receivables

The average credit period granted terms from 15 to 60 days. No interest is charged on outstanding trade receivables.
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security.
Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

	Trade receivable – days past due					
	Not past due	*<90*	*90-180*	*181-365*	*>365*	*Total*
31 December 2021	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Weighted average expected credit loss rate %	0.11%	0.35%	9.42%	24.84%	90.26%	
Estimated total gross carrying amount at default	160,835,350	54,866,807	1,546,741	2,699,314	11,017,405	**230,965,617**
Expected credit losses	(177,582)	(193,608)	(145,662)	(670,467)	(9,944,318)	**(11,131,637)**
	160,657,768	**54,673,199**	**1,401,079**	**2,028,847**	**1,073,087**	**219,833,980**

	Trade receivable – days past due					
	Not past due	*<90*	*90-180*	*181-365*	*>365*	*Total*
31 December 2020	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Weighted average expected credit loss rate %	0.17%	0.56%	14.95%	36.14%	76.06%	
Estimated total gross carrying amount at default	149,998,708	47,317,735	715,356	2,699,153	6,839,581	207,570,533
Expected credit losses	(254,680)	(267,296)	(106,926)	(975,581)	(5,201,926)	(6,806,409)
	149,744,028	47,050,439	608,430	1,723,572	1,637,655	200,764,124

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

31 December 2021	*Within 3 months SR*	*3 months to 1year SR*	*1 to 5 years SR*	*More than 5 years SR*	***Total SR***
Trade payables and other payables	354,641,528	-	-	-	**354,641,528**
Lease liabilities	4,705,443	3,725,454	20,405,209	28,910,884	**57,746,990**
Due to related parties	196,710	-	-	-	**196,710**
	359,543,681	**3,725,454**	**20,405,209**	**28,910,884**	**412,585,228**

31 December 2020	*Within 3 months SR*	*3 months to 1year SR*	*1 to 5 years SR*	*More than 5 years SR*	*Total SR*
Short term loans	128,064,033	-	-	-	128,064,033
Trade payables and other payables	180,286,161	-	-	-	180,286,161
Lease liabilities	4,646,035	3,265,559	17,940,308	30,803,020	56,654,922
Due to related parties	187,314	-	-	-	187,314
	313,183,543	3,265,559	17,940,308	30,803,020	365,192,430

27. EARNING PER SHARE (EPS)

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Basic and diluted earnings per share attributable to ordinary equity holders of the Company for the year ended 31 December 2021 amounted to SR 3.10 per share (31 December 2020: SR 4.28 per share). The profit for the year ended 31 December 2021 amounted to SR 166,091,980 (31 December 2020: SR 229,678,761) and the weighted average number of ordinary shares for basic and diluted EPS as at 31 December 2021 are 53,604,247 (31 December 2020: 53,604,247).

On 7 February 2021, the number of shares increased from 150,000 shares with a value of SR 1,000 per share to 60,000,000 shares with a value of SR 10 per share.

28. DIVIDENDS

No dividends have been proposed in the current year. In 2020: SR 158,276,809 (SR 1,055.18 dividends per share) was declared, which were approved by the shareholders in their meeting held on 23 Sha'ban 1441H (corresponding to 16 April 2020).

29. CAPITAL MANAGEMENT

For the purpose of the Company's management, capital includes issued share capital, and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximize the shareholders' value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Company includes within net debt, short term loans, lease liability, employees' defined benefit liabilities, zakat payable, less cash and bank balances.

	2021	*2020*
	SR	*SR*
Short term loans	**-**	128,000,000
Lease liability	**50,102,840**	48,861,410
Employees' defined benefits liabilities	**45,159,785**	39,668,205
Zakat payable	**14,802,310**	5,285,909
Less: Bank balances and cash	**(85,525,433)**	(19,906,229)
Net debt	**24,539,502**	201,909,295
Equity	**804,736,704**	640,450,943
Capital and net debt	**829,276,206**	842,360,238
Gearing ratio	**3%**	24%

30. SEGMENT INFORMATION

For management purposes, the Company is organised into business units based on its geographical regions, as follows:

2021	*Central region* SR	*Eastern region* SR	*Western region* SR	***Total*** ***SR***
Revenue	1,160,217,525	519,586,359	897,219,770	**2,577,023,654**
Cost of revenue	971,367,905	429,077,943	735,203,843	**2,135,649,691**
Depreciation and amortization	10,147,058	5,709,379	12,159,821	**28,016,258**
Depreciation of right-of-use assets	4,365,585	1,282,032	2,459,930	**8,107,547**
Segment profit before Zakat	73,743,975	44,664,227	62,350,360	**180,758,562**
Total assets	**737,569,748**	**219,639,343**	**340,761,388**	**1,297,970,479**
Total liabilities	**457,590,733**	**13,238,150**	**22,404,892**	**493,233,775**

2020	*Central region* SR	*Eastern region* SR	*Western region* SR	*Total* SR
Revenue	1,145,487,688	525,160,570	867,805,639	2,538,453,897
Cost of revenue	924,854,734	425,358,839	700,695,394	2,050,908,967
Asset depreciation and amortization	9,104,448	6,315,310	13,756,602	29,176,360
Depreciation of right-of-use assets	4,324,324	1,035,165	2,453,027	7,812,516
Segment profit before Zakat	113,861,832	54,679,706	68,372,098	236,913,636
Total assets	512,376,104	219,767,247	337,705,454	1,069,848,805
Total liabilities	100,932,079	158,667,167	169,798,616	429,397,862

The Senior Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements.

31. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Company has given letters of guarantee amounting to SR 600,000 (31 December 2020: SR 410,000), in respect of contract performance, and letters of credit amounting to SR 25,662,592 (31 December 2020: SR 33,597,707). There are capital commitments amounting to SR 1,629,211 as at 31 December 2021 (31 December 2020: SR 9,677,152) related to property, plant and equipment.

32. PROPOSED INCREASE IN CAPITAL

In November 2020, the Board of Directors decided to increase the capital from an amount of SR 150,000,000 to SR 600,000,000 by transferring an amount of SR 107,586,101 from due to shareholders, transferring an amount of SR 75,000,000 from statutory reserve account and transferring an amount of SR 267,413,899 from retained earnings to proposed increase in capital. Legal formalities were completed on 17 February 2021.

In 2021, the number of shares has increased from 150,000 shares with a value of SR 1,000 per share to 60,000,000 shares with a value of SR 10 per share (note 27).

33. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform to the presentation in the current year.

34. SUBSEQUENT EVENTS DISCLOSURES

There have been no events subsequent to 31 December 2021 that require an adjustment in these financial statements. The evolving Russia-Ukrain situation does not materially affect the Company, as it has no operating presence in Ukrain and in relation to Russia, the imports are not material. Accordingly, no material risk is currently anticipated in this context.

35. COVID 19 IMPACT

A novel strain of coronavirus ("COVID-19") was first identified at the end of December 2019, subsequently in March 2020 was declared as a pandemic by the World Health Organization ("WHO"). COVID-19 continues to spread throughout in nearly all regions around the world including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities which in turn resulted in a slowdown of economic activities and shutdown of many sectors at global and local levels.

The extent to which coronavirus pandemic impacts the Company's business, operations, and financial results, is uncertain and depends on many factors and future developments, that the Company may not be able to estimate reliably during the current year. These factors include the virus transmission rate, the duration of the outbreak, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity, the impact to the businesses of the Company's customers and shareholders and other factors.

As far and as of the date of preparation of the financial statements for the year ended 31 December 2021, the Company's operations did not have a significant negative impact from the COVID-19 outbreak. The Company's management will continue to evaluate the nature and extent of the impact of COVID-19 on the Company's business and financial results.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2021 were authorised for issuance by the Board of Directors on 27 March 2022G (corresponding to 24 Sha'ban 1443H).