

المنزجم
ALMUNAJEM
للأغذية Foods



2021

ANNUAL REPORT



www.almunajemfoods.com

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BRIEF COMPANY OVERVIEW

Founded in 1950, Almunajem Foods is among the largest Saudi food companies. The Company markets, distributes and produces a wide variety of frozen, chilled and dry foodstuff items. With over 40 brands across five main product categories namely; Red & White Meat, Frozen Fruits & Vegetables, Dairy, Olives & Oil, and Others being consumed every day. Over the course of more than 70 years of operations, the Company has built strong relationships with its customers through a wide chain of outlets. Through a fleet of over 1,000 vehicles, 12 temperature-controlled cold stores, plus one meat processing facility, located across 10 regions in Saudi Arabia, the company ensures fresh supplies across frozen, chilled and dry products categories.

The Company has equipped its branches and fleet with the latest technologies, including automatic mobile racking systems (in most cold stores), which increases storage capacity to the maximum and reduces the time it takes to bring the product to customer's doorstep. Use of globally recognized tools such as Oracle real-time inventory management and tracking system, in addition to a temperature control system enables workers to set up and monitor different temperature levels in all warehouses.

The Company's Fleet has been equipped with a Global Positioning System (GPS) and temperature tracking systems, which are used by both Company headquartered central monitoring unit and Cold Storage branches to track the fleet vehicles, not only in terms of temperature, but also speed and vehicle driver performance, to ensure best quality product reaches the end customer.

BRANDS



40+

FLEET



1,000+
Vehicles

CUSTOMER OUTLETS



Retail

13,000+



Food Service +
Wholesale

8,700

SUPPLIERS



International

84%



Local

16%

12

Cold Storage
Branches

56,800 MT

Cold Storage
Capacity

281,184 MT

Sales Volume
(2021)



Vision

To be the leading company in delivering food products that enrich lives of millions at all times.



Mission

To deliver quality food products from around the world in a reliable, efficient and customer-centric manner that adds value to all stakeholders.

Values



TRUST

We recognize the importance of trust in our standards, our people, our capabilities, our products and our services



INTEGRITY

We act with fairness, honesty and to the highest ethical standards when conducting our business



QUALITY

We import, market, produce and distribute safe and high-quality foods to customers



PASSION

We always go above and beyond to provide a world-class customer experience



COLLABORATION

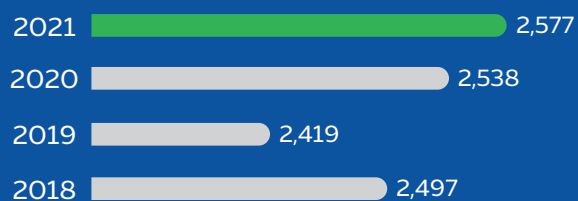
We work closely with our stakeholders to succeed together, with a view to grow and foster partnerships over the long-term



KEY HIGHLIGHTS

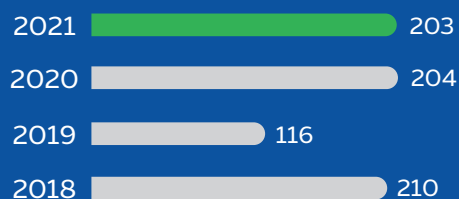
Sales

(SAR mn)



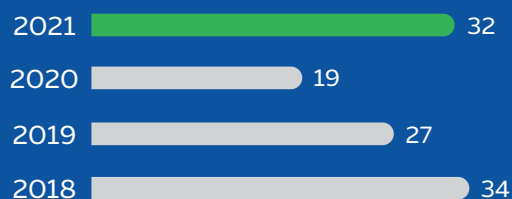
Free Cash Flow

(SAR mn)



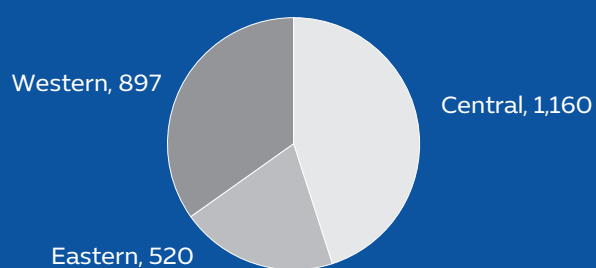
Capital Expenditure

(SAR mn)

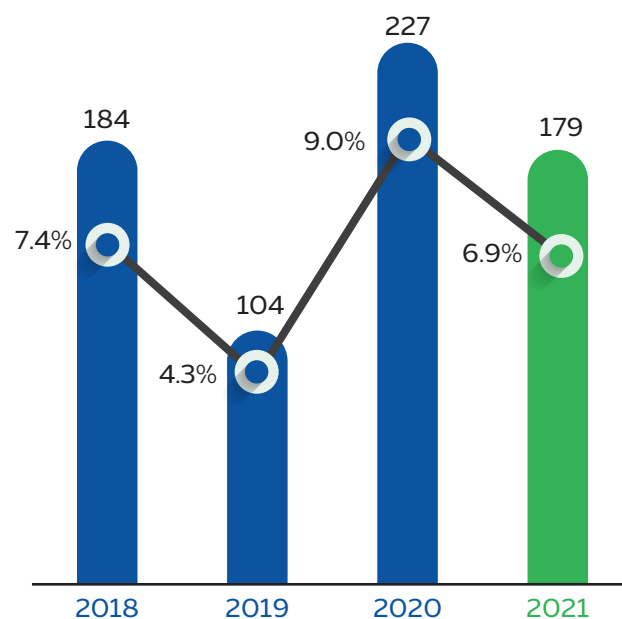


Sales by Region in FY 21

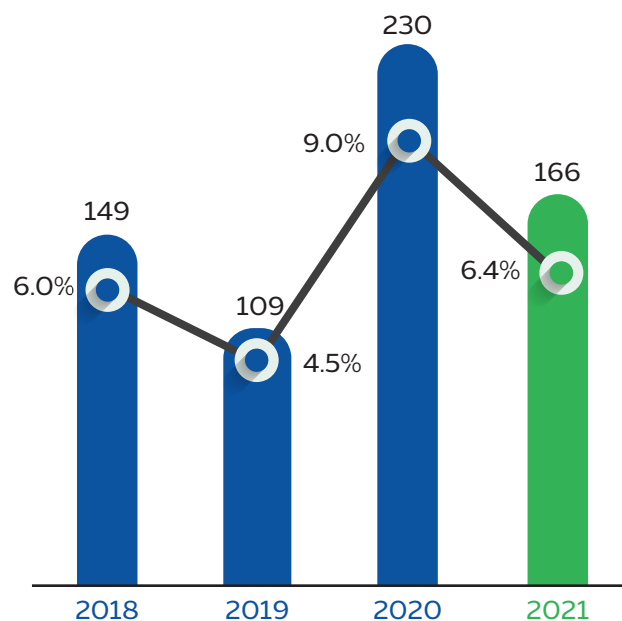
(SAR mn)



Operating Profit (SAR mn) and Operating Profit Margin (%)



Net Profit (SAR mn) and Net Profit Margin (%)





MANAGEMENT REVIEW

CHAIRMAN'S STATEMENT



Overview

On behalf of the Board of Directors of Almunajem Foods, it is my pleasure to present to you the company's Annual Report for the full year 2021.

Full year 2021 proved to be both rewarding and challenging. It provided Almunajem Foods with a

range of significant and transformational moments that will play a key role in the company's success and growth trajectory for years to come.

Market environment

The F&B sector across the Kingdom witnessed significant changes over the past year, as markets gradually began to return to pre-COVID 19 demand trends. According to the Saudi Ministry of Investment report, the size of the Saudi F&B market stood at SAR 221 billion in 2021, growing by 6.4% between 2013G – 2021G.

While the past two years have been increasingly challenging for several sectors across the global economy, the Saudi F&B sector has remained largely resilient to the negative impact of the COVID-19 pandemic. The sector was bolstered by several factors and continues to see steady growth, driven by positive macroeconomic, consumption, and demand trends.

Several supportive long-term market fundamentals and secular trends reinforce our confidence in the growth and development of the Saudi F&B market. The Saudi economy continues to show signs of sustained recovery led by a boost in the non-oil sector and historically low unemployment rates. At

the same time, government initiatives are creating a real positive shift in the economy, increasing domestic demand, expanding output and creating jobs at a rapid rate.

The KSA F&B sector is poised to benefit from this economic recovery and is expected to continue to grow at 4.6% CAGR until 2024G, driven by favorable demographic reforms, population growth and the expected increase in number of tourists visiting the Kingdom.

Financial & Operational Performance

Capitalizing on its state-of-the-art storage facilities, agile logistics and distribution operations, and the trust of we have earned over our seven decades of operations, Almunajem Foods embarked on the next chapter of its growth story in 2021, listing 30% of its share capital on the Saudi Stock Exchange. An initial public offering was the natural milestone for Almunajem Foods, allowing us to further institutionalize from a governance and sustainability perspective. The IPO process also provided us with an opportunity to share the company's story and success with our partners and investors.

From a financial perspective, the company delivered solid financial performance in FY 2021. We witnessed stable top line growth, which was made possible by the company's diverse product and well-balanced sales channel mix with revenues increasing by 1.5% to SAR 2.6 billion. While our net income declined 27.8% year on year to SAR 166 million, this was mainly owed to the decreasing retail sales, a rising costs and one-off non-core items.

Future Outlook

Looking ahead, the Board of Almunajem Foods will continue to enhance the company's robust governance framework while diligently undertaking its fiduciary responsibilities. Our forward-looking strategy will focus on three areas of growth: further diversifying our product portfolio, enhancing our market position across Food Services and Retail and expanding along the value chain through in-Kingdom manufacturing.

Finally, I would like to recognize the contributions of our stakeholders, who have all played crucial roles in the company's continued success. To my fellow members of the Board, your support and dedication allow the company to constantly explore

new innovations and push the boundaries. To the company's management team and employees, your commitment to the company's growth strategy and core values of excellence and integrity. Finally, our shareholders, your trust and confidence in Almunajem Foods and its integrated operating model continues to inspire us as we create sustainable value for you and our wider stakeholder universe.

Saleh Abdullah Ali Almunajem

Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT



Dear Shareholder,

It brings me great pleasure to present you with our first Annual Report as a publicly listed company.

We ended 2021 year on a very strong note, listing 30% of the Company's share capital on the Saudi Exchange. The success

of the IPO is a testament to many strengths. The strength of our business in an industry that is set for an average growth rate of 4.7% for the next three years. Your strong belief in our company, strategy and in the management team for executing it. Our resilient financial performance through various market cycles. Finally, in our robust governance structure. At the onset I want to thank you, dear shareholder, for your trust in confidence in Almunajem Foods and our vision to be the leading company in delivering food products that enrich lives of millions, at all times.

Our diversified portfolio of quality products, well-balanced customer channels enabled us to remain resilient despite fast changing consumption trends. Our well-defined strategy kept us focused on defending our market share in the Retail channel while growing our presence in the other channels and expanding our manufacturing capabilities. The scale, strategic locations and overall improved efficiency of our operations enabled us to respond swiftly to changing market conditions. The reliability of our fully temperature-controlled storage and vehicles and speed of our logistics and distribution afforded us the ability to continue delivering quality products on time, with no compromise to service levels, across all parts of the Kingdom. The close relationship with our suppliers and customers enabled us to identify and

quickly respond to emerging opportunities, giving us greater maneuverability to respond to evolving market conditions. Consequently, we delivered a good set of financial results for FY 2021.

- Net revenues were up 1.5% to SAR 2.58 billion, compared to 2020. This was predominately driven by increasing prices of some products, while volumes held firm over both the one and two-year period. Drilling deeper into the makeup of top line performance, we witnessed the Covid-19 induced market trends that significantly changed consumption habits in 2020, almost fully return to pre-2020 levels. For instance, we saw a strong recovery in sales to the Food Service channel, notably in the second half of the year, as Government-mandated Covid-19 related curfews and restrictions were lifted and there was a gradual return of tourists to the Kingdom. Correspondingly, the Retail channel saw lower sales than 2020. Consequently, as result in the change of the sales channel mix, gross profit margins were impacted, with FY 2021 gross profit margin at 17.1% compared to 19.1% in 2020.
- Our operating expenses base rose in 2021, primarily owed to a resumption in marketing and promotional activities in the Retail channel. Additionally, other general operating expenses rose, including the increase in fuel prices. However, we maintained our focus on managing costs without compromise to the quality of products or service, and to ensure we continue to defend our market leading position in several food sub-categories.
- Net profit declined 27.2% YoY to SAR 166 million, predominately driven by the decrease of gross profit by 9.5% reaching to SR 441.4 million compared to 2020, which witnessed a concentration of sales in the first half in retail channels because of the pandemic impact over last year, in addition to non-core operating activities including:

- One-off other income amounting to SAR 10.3 million that the Company filed and received during 2020, related to a lawsuit raised against one of our service providers.
- Increase in Zakat expense for the year as a result of increasing the company's zakat base.

In terms of our financial position, we ended the year with a robust balance sheet with total assets standing at SAR 1.3 billion as at 31 December 2021, a 21% increase from the year ago period and a low leverage with debt to equity at 0.06 (2020: debt to equity was 0.28), as we ended ending the year with zero loans and free cash flow ending at SAR 203 million, above the four-year average of SAR 183 million.

From an operational standpoint, Almunajem Foods cemented its position as one of the largest Saudi food companies by further expanding its international network of suppliers and partners, which ensured that we are well-positioned to face any potential supply chain challenges. In November 2021, the company also increased its production capacity by inaugurating its meat factory expansion in Jeddah. The expansion increased total production capacity by over 60%. Almunajem Foods also announced its new sustainable energy drive by going live with its 3,500+ solar rooftop panel installations, located on the Riyadh-based cold store. The installed solar panels would generate the equivalent 30% of the onsite energy requirements.

Looking ahead, with over 70 years of experience in providing the Saudi F&B market with quality food products, we have the industry knowledge, customer relationships and international and local network of suppliers to grow our portfolio of products, expand our presence in more retail outlets and on more shelves and in more HORECA kitchens across the Kingdom. While 2022 will bring about a challenging global market environment and disruptions to supply chains may take time to be resolved, we remain confident in our ability to continue defending our leadership market position, growing our portfolio of products, and further expanding our reach within the Kingdom.

All our efforts would not be made possible without the hard work of our employees. I would like to thank them for their perseverance and dedication to the company and I am looking forward to working collaboratively with our team to continue taking the company from strength to strength to create a sustainable value for our shareholders.

Best wishes,

Thamer bin Abdulaziz Abanumay

STRATEGIC OVERVIEW

Market Overview

The size of Saudi F&B market is estimated at SAR 221 billion in 2021 and spending on foodservice will grow by 6% per annum over the next five years, according to Ministry of Investment (MISA).

Saudi Arabia imports approximately 70% of its food consumption; however, the levels of imports vary by category. For example, while Saudi Arabia imports approximately 35% of its total poultry consumption, it is a net exporter of various Dairy products. The largest component of the Saudi food market is meat and poultry, which is one of the important food categories at the Company. The Company operates in several other large food categories such as Frozen Fruits and Vegetables, Dairy, Olives & Oils.

Saudi Arabia's macroeconomic situation is expected to support the development and growth of the Saudi's F&B market.

- **Expected return to GDP growth** – The Kingdom is expected to return to a GDP growth of 2.8% and 4.8% in 2021 and 2022, respectively. The food and beverage sector is expected to remain resilient to the negative impact caused by the COVID-19 pandemic due to its nature.
- **Growing population** – According to IMF, the Saudi population is forecasted to grow to 38.4mn by 2025 and will contribute to growth of the total addressable F&B market.
- **Rising disposable income** – Disposable income in Saudi Arabia is forecasted to grow at 4.7% CAGR during 2020-2024. Such recovery will act as an additional catalyst for the growth of the F&B market.
- **Increasing number of working women** – As the number of working Saudi women is rising; it is resulting in higher household income, which in turn is leading to higher food and beverage expenditure both due to increased consumption as well as demand for branded high-quality products.

- **Expected influx of international tourists** – Local drivers of growth will be supported by the influx of international tourists, expected to reach c.24mn by 2024, including Hajj and Umrah visitors, because of the government's continuous efforts to develop the industry as part of Vision 2030 and the National Transformation Program. The Kingdom plans to add 2,449 new restaurants and cafes by 2025.

The Saudi F&B market is evolving with several consumption and demand trends that are shaping the future of the market including:

- **Increase in local production** – During the COVID-19 pandemic, the Saudi Agricultural Development Fund introduced two new initiatives to support local farmers and investment in food production facilities abroad, reaching SAR 5.5 billion in 2020.
- **The Kingdom's focus on food safety and quality** – Tightened regulations for international slaughterhouses resulted in balancing the supply which enabled market price stability.
- **Growing trend towards healthy food products** – Consumers' interest in healthier foods is rising. The trend is driven by government's initiatives

to promote a healthy lifestyle, as part of one of the pillars of Vision 2030, "Living healthy, being healthy".

- **Higher consumption of ready-to-cook and ready-to-eat food** – Increasing participation of women in the labor force is resulting in growing demand for convenience based ready to eat meals.
- **Recent increase in VAT** – The 2020 VAT increase to 15% is expected to increase consumers' price sensitivity when purchasing food.
- **Growing share of online shopping** – The Kingdom's e-grocery is estimated to have grown by 390% in 2020 reaching SAR 2.0 billion in total spending. The market is estimated to cross SAR 7.5 billion in 2025.
- **Saudization program** – The program is aimed at increasing Saudi National's employment, resulting in some expats gradually leaving the Kingdom.



Business Model

Almunajem Foods is among the largest Saudi private food companies involved in manufacturing, importing, marketing and distribution of a wide range of frozen, chilled and dry foods through market leading temperature controlled cold stores in KSA.



Sourcing and Manufacturing

The Company has significant experience in sourcing products from suppliers as it imports more than 250,000 MT per annum of frozen, chilled and dry food products in addition to 30,000 MT from the local market.

- Supplier base is made up of more than 60 active suppliers. Out of which 84% are international suppliers and 16% are local suppliers.
- The Company has formal supply and distribution contracts with 4 of the main Suppliers of its main brands, such as "Doux", "Coopoliva", "Seara" and "President".
- The Company has a manufacturing facility located at Jeddah with a total manufacturing capacity of 11,000 MT; three production lines produce 13 SKUs in total.
- The Company is in plans to manufacture value-added meat products in its Jeddah manufacturing facility in line with backward integration strategy and expanding its processing facilities to meet market demand.



Warehousing

- Most cold stores are equipped to include automatic mobile racking systems which:
 - Increases storage capacity to the maximum and reduces the time taken to reach the required products. It is supported by the Oracle real-time inventory management and tracking system.
 - Includes a temperature control system that enables workers to set up and monitor different temperature levels in all warehouses.
- The storage capacity of cold store branches ranges from 1,000 MT to 15,000 MT per cold store branch, giving the Company a total storage capacity of about 56,800 MT, which is a feature of strategic importance.
- The company rents additional warehouse space in order to generate storage rental revenue.



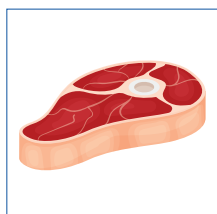
Distribution

- **Main sales channels** include more than 13,000 retail outlets, 860 wholesale outlets and 7,800 food service outlets in all regions of the Kingdom.
- **Wide distribution network** that facilitates the effective delivery of more than 281,000 MT of products annually supplied to customers through approximately 21,700 outlets.
- **14 branches** (12 cold store branches, 1 sales branch, and 1 Meat Factory branch in Jeddah) strategically distributed in all major regions of the Kingdom that receive imported products through three ports (Jeddah Islamic Port, King Abdullah Port in Rabigh and King Abdul Aziz Port in Dammam).
- **Fleet of more than 1,000 vehicles** has been equipped with a Global Positioning System (GPS) and temperature tracking systems to deliver products to customer locations.
- **Key customer base** includes large supermarkets that have multiple stores across the main regions of Saudi Arabia such as Al Othaim, Panda, Carrefour, Al Danube, Lulu, Al Tamimi and BinDawood, as well as chains of prominent HORECA outlets such as Kudu, Dominos, AlBaik and many others.

Flagship Brands



Main Product Categories



Red & White Meats



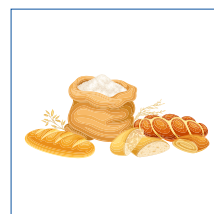
Frozen Fruits and Vegetables



Dairy Products



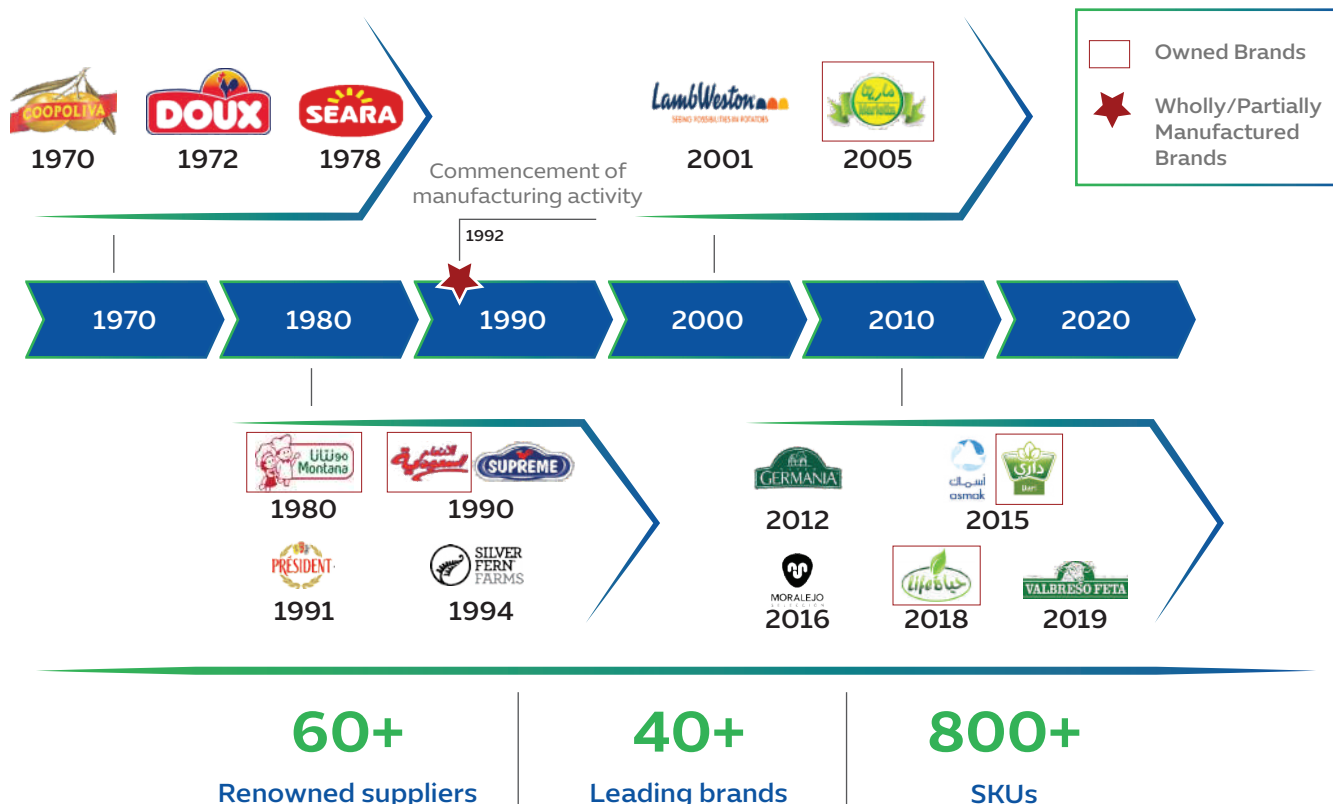
Oils and Olives



Other
(Rice, Dry Herbs and Spices)

Evolution of Almunajem Foods Business by Brand

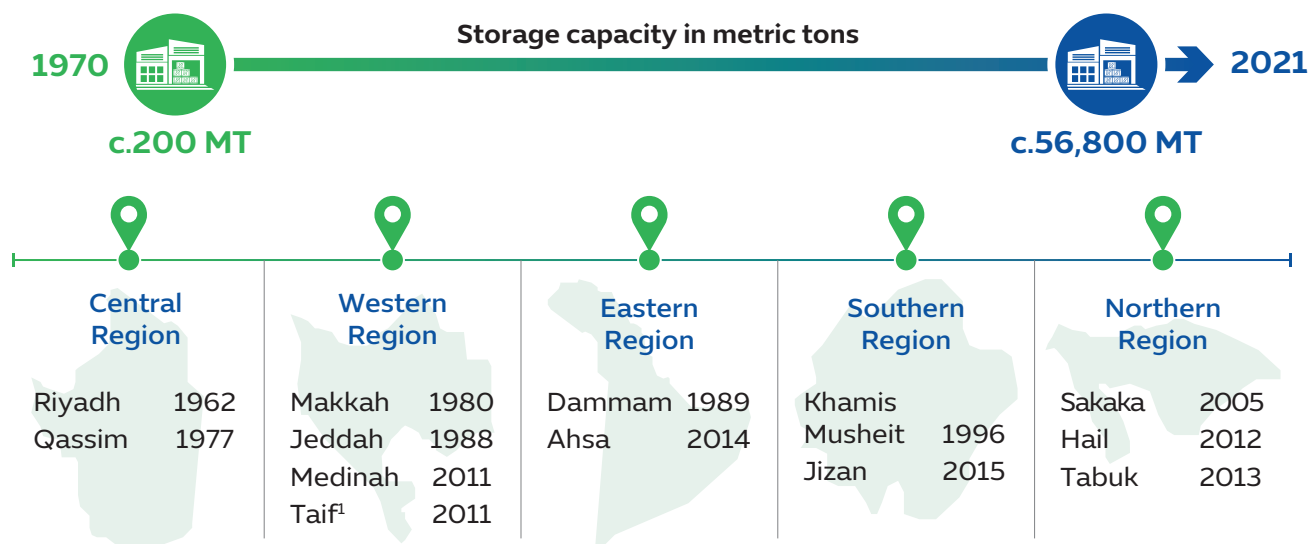
Continuously growing its product portfolio^{1,2} to meet consumer needs...



Notes: 1. Select key brands, 2. Excluding discontinued brands

Evolution of Almunajem Foods Business by Facility









...through a comprehensive nationwide logistics network



Notes: 1. Sales branch. Does not feature storage capacity

Key Investment highlight

A leading household name serving consumers across the Kingdom for over 70 years

 <p>Strong Market Fundamentals</p> <p>1</p> <p>Strong market fundamentals and government initiatives underpinning growth</p>	 <p>Established Market Leader in The Food Space</p> <p>2</p> <p>leading market share in the retail segment across various sub-product categories</p>	 <p>Broad Defensive Portfolio</p> <p>3</p> <p>Broad, defensive portfolio of household staples and leading brands</p>	 <p>Extensive Network of Suppliers</p> <p>4</p> <p>Extensive network of suppliers with deep experience in sourcing products globally, underpinned by longstanding relationships</p>
 <p>Comprehensive Logistics Network</p> <p>5</p> <p>Comprehensive logistics network across the Kingdom of Saudi Arabia, serving a diverse and loyal customer base</p>	 <p>Strong Financial Performance</p> <p>6</p> <p>Strong and stable financial performance supporting future growth</p>	 <p>Highly Experienced and Independent Management</p> <p>7</p> <p>Highly experienced and independent management team with a robust corporate governance framework</p>	 <p>المنزجم ALMUNAJEM للأغذية Foods</p>

Almunajem Foods Strategic Priorities

The Company has adopted a strategy to further strengthen its leading position in the Kingdom of Saudi Arabia and achieve strong and sustainable growth. The strategy is based on five pillars:

Strengthening and expanding its position in the existing product categories

- Increase market share in core SKU groups by leveraging its expertise, distribution capabilities and healthy relationships with key stakeholders.
- Expanding existing SKUs with using a mix of channel penetration, extending brand across categories, new product/ brand introduction, pricing and promotion strategies.

Expand product portfolio offering to effect step-change in revenues and profitability.

- The Company has been identifying new high potential product categories, which are:
 - **Sizeable** – based on total market size (value and volume).
 - **Growing** – both in value and volume terms.
 - In line with evolving customer preferences.
 - Synergistic with the existing portfolio and the supply chain infrastructure.
 - Aligned with the Company's strategy relevant to both retail and food service channel.

Forming strategic alliances to enhance product portfolio and customer coverage

- Source new products/brands from global as well as local players both within the existing as well as new food categories.
- Establish alliances with companies that are a good fit with the Company's strategic objectives.
- Collaborate with global brands currently present in the market that are looking for new distributors.
- Opportunistically search for forward/backward integration opportunities.

Streamlining and enhancing operational capabilities to increase customer-centricity, explore greater synergies, and a deep, industry-leading focus on product categories.

- Continuously review sourcing strategy and re-evaluate its distribution services and processes to ensure a highly efficient and robust supply chain.

Adopting and developing newer methods of offering specific products to the end-customer that enhance the Company's profitability

- Leverage various digital technologies throughout its supply chain to further improve the efficiency

Outlook 2022

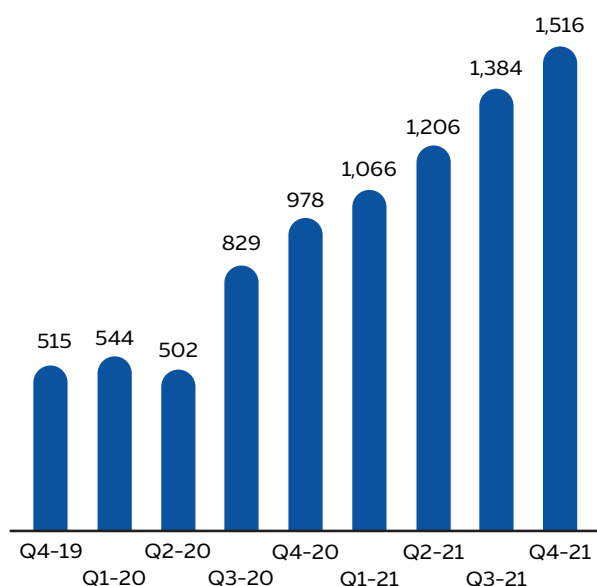
According to the World Economic Outlook October 2021, IMF projects Saudi Arabia's real GDP to grow at 4.8% in 2022. We believe the growth will be driven by oil as well as non-oil GDP.

Post high inflation levels in 2020, IMF expects the Kingdom's consumer prices to average at 2.2% in 2022. As the inflationary environment stabilizes, we expect demand for consumer goods to rise and consumer sentiment to improve and consequently, an increase in buyer's purchasing power.

Unemployment rate in Saudi Arabia eased at 11.3% in Q3-21 from a 15.4% high in Q2-20. The improving employment environment can be ascribed to increase in Saudi female participation in job market and Saudization program.

The Saudi-based grocery retail space consists of more than 41,000 outlets, with an estimated sale of SAR221.3bn in 2021. Food retailing in the Kingdom is undergoing two major transitions: shift from traditional retailing (e.g. baqalas) to modern retailing (e.g., hypermarket/supermarkets), and from in-store to e-commerce.

Quarterly Point of Sales Transactions (SAR mn)

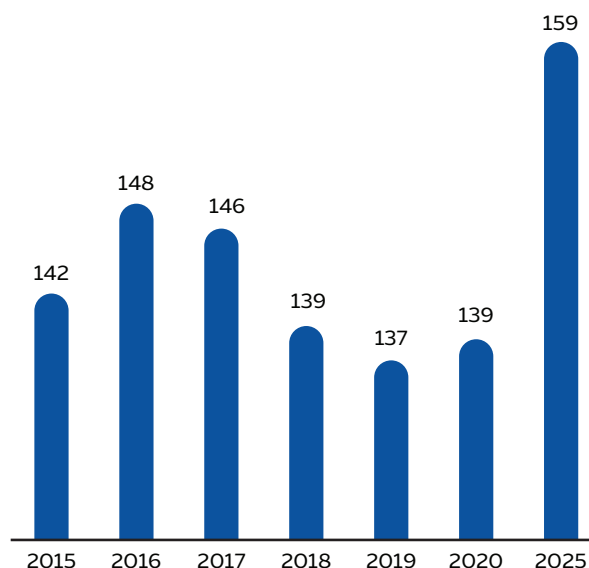


Point of Sales (POS) transactions grew at a 5-year CAGR of 64.4% during 2017-2021. In 2021, POS reached SAR473bn in value, an increase of 32.5% yoy. SAMA data reveals, in 2021 e-Commerce transactions using Mada cards increased almost 10 times in the past three years to reach 348 million transactions with a total of SAR74bn in value.

The growth is supported by Saudi Government's strategy to enhance digital payments and transition towards less dependence on cash payments, in line with Vision 2030 initiatives.

The return to normalcy, economic recovery, lifting of curbs amid rising vaccination drives, increase in tourist visits, easing employment situation are expected to improve consumer spending thereby leading to a growth in Saudi's consumer sector 2022 onwards.

KSA's store-based grocery retail sales (SAR bn)



Sustainability

Almunajem Food's solar energy drive is a step in line with the Saudi Green Initiative. The Company has installed 3,528 solar rooftop panels on its Riyadh-based temperature-controlled cold store warehouse. The storage capacity of this cold store warehouse is 15,000 MT and is one of 12 cold store's spread across the country.

This initiative seeks to further the sustainable energy drive while achieving cost efficiencies. The solar energy system went live in early Q3 2021 and the initial results have been positive.

- 3,528 panels installed with capacity of 1.35 peak hour megawatt of clean energy
- The solar panels will generate 0.24 MWH of clean energy per year, equivalent to 30% of onsite energy requirements
- Reduce carbon emissions by 1,300 tons per annum



In an effort to increase local production for some of company's imported products and to keep pace with the increasing demand, Almunajem Foods planned to expand the Jeddah meat processing factory.

The meat processing factory which was established in 1992 produces a variety of meat and poultry products under the Company's owned brands "Habra" and "Al Anaam Al Saudia" and "Dari".

- Total production capacity will increase by 60% to over 11,000 MT as well as doubling poultry products capacity
- The expansion will localize production of international poultry brand 'Doux'



KEY PERFORMANCE INDICATORS

We set targets to analyze our progress and measure them by means of KPIs. This ensures the timely and efficient delivery of our objectives. Our goal is to be Reliable, Efficient and have a Customer centric approach in order to deliver high-quality food to customers.

Our growth drivers consists of Total volumes sold, Average selling price, Number of customer outlets, and Revenue contribution by key categories to name a few.

Key Performance Indicators	2018	2019	2020	2021
Number of branches	13	13	13	13
Number of factories	1	1	1	1
Number of customers	18,465	18,077	17,737	21,735
Profitability metrics				
Gross Margin (%)	16.5%	13.8%	19.1%	17.1%
Operating Profit Margin (%)	7.4%	4.3%	9.0%	6.9%
EBITDA Margin (%)	7.6%	6.4%	11.0%	8.6%
Net Margin (%)	6.0%	4.5%	9.0%	6.4%
ROE (%)	31.2%	23.5%	35.9%	20.6%
Days Sales Outstanding (DSO)*	29	29	30	33
Days Inventory Outstanding (DIO)**	60	68	74	83
Days Payable Outstanding (DPO)***	42	42	35	75

* Calculated using total trade receivables.

** Calculated by excluding spare parts, and equipment parts from the total inventory. It includes goods in transit.

*** Calculated using the cost of purchases while excluding France Poultry purchases.

CORPORATE GOVERNANCE

Overview

The key sources of Corporate Governance for the Company are mentioned in the Company's Corporate Governance Manual.

The framework under the Internal Corporate Governance Manual regulates the various relationships between the Board, Executive Directors, shareholders and other stakeholders, by establishing rules and procedures to facilitate decision making processes with the objective of protecting the rights of shareholders and other stakeholders and promoting the values of credibility, fairness, competitiveness and transparency in the Company's conduct on the Exchange and in the business environment.

These regulations, which entail the implementation of a clear and transparent disclosure process, ensure that the Board acts in the best interests of the Shareholders and presents a clear and fair view of the financial position of the Company and the results of its operations.

The Company's policy is to adopt high standards of Corporate Governance. The company generally complies with the Corporate Governance Manual. The Company considers ongoing compliance with these regulations to be an important factor in its continued success.

Key Corporate Governance Requirements

The key Corporate Governance requirements that the Company complies, and will comply, with are set out in the Corporate Governance Regulations. These cover the following broad areas:

1. General shareholder rights
2. Rights relating to General Assembly Meetings
3. The Board of Directors: formation, responsibilities, competencies, procedures and training
4. Conflicts of interest
5. Company committees and
6. Internal controls, external auditors, company reports and policies, and various other matters.

Corporate Governance Manual and Internal Policies

The Board of Directors and the Ordinary General Assembly approved the Corporate Governance Manual and internal regulations of the Company on 27/07/1442H (corresponding to 11/03/2021G).

The Company's Corporate Governance Manual includes the following internal policies and charters:

1. Board of Directors' membership policies and procedures;
2. Conflict of interest regulation policy;
3. Insider trading policy;
4. Board of Directors committee principles and policies;
5. Monitoring, assessment, internal and external audit and internal control policies;
6. General Assembly policies;
7. Dividend distribution policy;
8. Shareholder communication policies;

9. Disclosure and transparency policies;
10. Audit Committee charter;
11. Nomination and Remuneration Committee charter; and
12. Corporate social responsibility policy.

Corporate Governance Compliance

The BOD ensures that the company is generally complying with the Corporate Governance Regulations.

In particular, all of the Company's Board of Directors, which currently consists of six (6) Directors, are non-executive members and amongst the Board members are two (2) independent Directors. In addition, the Shareholders adopted the cumulative voting method in relation to the appointment of Directors (with the exception of the Chairman of the Board, the Vice Chairman and the Managing Director who were appointed pursuant to a Board Decision dated 22/02/2021G), at the Conversion General Assembly meeting held on 03/07/1442H (corresponding to 15/02/2021G). This method of voting gives each Shareholder voting rights equivalent to the number of Shares he/she holds. Each Shareholder has the right to use all of his/her voting rights for one nominee or to divide their voting rights between his/her selected nominees without any duplication of votes. This method increases the chances of minority shareholders appointing their representatives to the Board by exercising their cumulative voting rights in favour of a single candidate (Article 8).

In compliance with the Corporate Governance Regulations, the Ordinary General Assembly of the Company formed the Audit Committee, consisting of three (3) non-executive members, on 27/07/1442H (corresponding to 11/03/2021G) and the Board of Directors formed the Nomination and Remuneration Committee on 24/07/1442H (corresponding to 08/03/2021G). The Company has also prepared its Committee charters, which were approved by the Board in its session held on 24/07/1442H (corresponding to 08/03/2021G), and recommended to the General Assembly for ratification. The Ordinary General Assembly ratified the Committee charters during its session held on 27/07/1442H

(corresponding to 11/03/2021G).

Furthermore, the Company has put in place measures to comply with provisions that deal with conflicts of interest and competing interests (Articles 71, 72 and 73 of the Companies Law and Articles 44 and 46 of the Corporate Governance Regulations). The Company has obtained the approval of the General Assembly for transactions with Related Parties.

Pursuant to the Corporate Governance Regulations, each board member is prohibited from voting on a decision taken by the board or the general assembly with respect to transactions and contracts that are executed for the company's account, if he/she has a direct or indirect interest in those transactions or contracts (Article 44(b)(1)). The Companies Law sets out similar requirements to the effect that a director, without prior consent from the ordinary general assembly may not have any direct or indirect interest in transactions or contracts made for the account of the company. The director also has an obligation to inform the board of directors of any personal interest he may have in such transactions or contracts and may not participate in voting on resolutions to be adopted in this respect by the board of directors or shareholder assemblies. The Chairman of the Board of directors must inform the general assembly of any transactions and contracts in which any director has a direct or indirect personal interest and accompany that with a special report from the company's external auditor (Article 71).

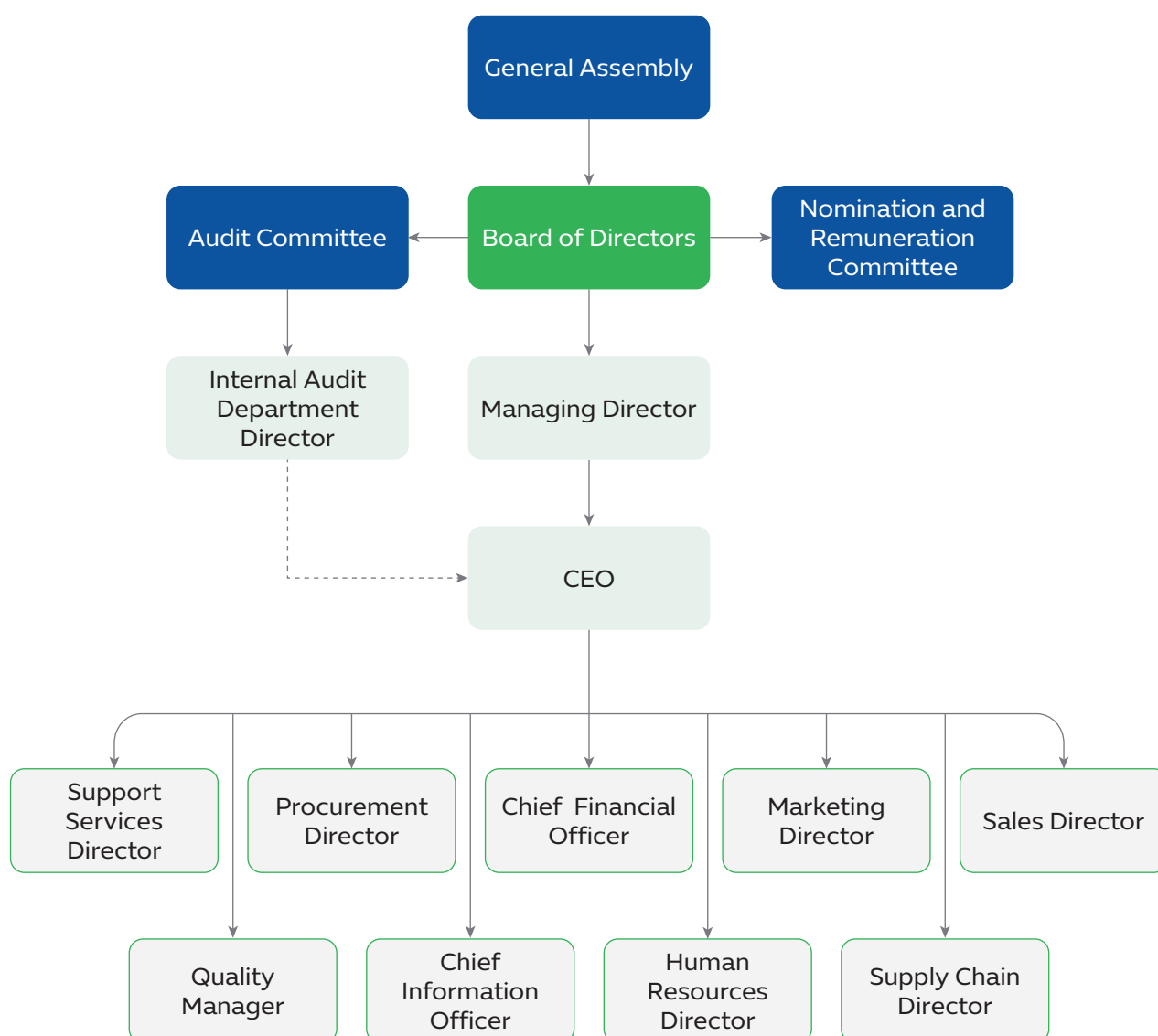
The Corporate Governance Regulations also provide that if a member of the board wishes to engage in a business that may compete with the company or any of its activities, he/she must notify the Board of any competing businesses that he wishes to engage in, and abstain from voting on the related decision in the board meeting and general assemblies; the Chairman of the Board must inform the ordinary general assembly of the competing businesses that the member of the board proposes to be engaged in; and the authorization of the company's general assembly must be obtained for the member to engage in the competing business (Article 46). The Companies Law sets out similar requirements (Article 72).

Organizational Structure and Corporate Governance

The organizational structure of the Company consists of the Board of Directors (“Board of Directors” or “Board”) and the Board committees, namely the Audit Committee and the Nomination and Remuneration Committee. The Board assumes final responsibility for guidance, general supervision and general control over the Company and Senior Executives.

The following chart sets out the organizational structure of the Company.

Company structure chart



Board Members



Saleh Almunajem
Chairman



Suliman Al Guwaiz
Vice Chairman



Fahad Alfadley
Managing Director



Abdullah Bawazir
Director



Hasan Aljabri
Director



Mohammad Alrowette
Director

Senior Management



Eng. Thamer Aba-numay
Chief Executive Officer



Assim Al-Attas
Chief Financial Officer



Mohammed Almunajem
Support Services Director



Mustapha Fawaz
Sales Director



Mazen El Danab
Procurement Director



Majed Al-Bakheet
Human Resources Director



Ali Khreis
Supply Chain Director



Rabih Bouzeineddine
Chief Information Officer



Mazen Abdul-Wahed
Internal Audit Director



Mohamed Attia
Quality Manager

Composition of the Board of Directors

Under the Bylaws, the Board of Directors shall be comprised of six (6) Directors appointed by the Ordinary General Assembly. The Companies Law, Corporate Governance Regulations, the Company's Bylaws and Corporate Governance Manual determine the duties and responsibilities of the Board of Directors. The term of the Board of Directors, including the Chairman, is for a maximum period of three (3) years. As an exception thereto, the Conversion General Assembly appointed the first Board of Directors for a period of five (5) years.

As at the date of this report, the Board of Directors is comprised of six (6) Directors. The following table sets out the names of the Directors as of 31 December, 2021.

Company's Board of Directors

No.	Name	Position	Nationality	Status	Date of Appointment	Direct Ownership	Indirect Ownership
1	Saleh Abdullah Ali Almunajem	Chairman	Saudi	Non-Executive	15/02/2021G	n/a	9.80%
2	Suliman Abdulrahman Abdullah AlGuwaiz*	Vice Chairman	Saudi	Independent	15/02/2021G	n/a	n/a
3	Fahad Abdulmohsen Abdulrahman AlFadley*	Managing Director	Saudi	Executive	15/02/2021G	n/a	n/a
4	Hasan Shakib Murad AlJabri	Director	Saudi	Independent	15/02/2021G	n/a	n/a
5	Abdullah Omar Bawazir	Director	Yemeni	Non-Executive	15/02/2021G	n/a	n/a
6	Mohammad Ibrahim AlRowette	Director	Saudi	Non-Executive	15/02/2021G	n/a	n/a

Source: The Company

* Members of the Board of Directors were appointed at the General Assembly meeting on February 15, 2021G, and these members were appointed to their positions in accordance with Board Resolution No. 1 dated February 22, 2021G.

Responsibilities of the Board of Directors

The responsibilities of the Chairman, members and secretary of the Board of Directors include the following:

Board of Directors

Without prejudice to the powers vested in the General Assembly, the Company's Board of Directors is vested with the widest powers to manage the Company. The ultimate responsibility of the Company lies with the Board even if it establishes committees or delegates some of its powers to a third party.

Board members represent all shareholders, and undertake to implement all matters that are in the public interest of the Company. Members should not represent the interests of a particular group or those who voted in favour of their appointment to the Board of Directors.

The Board of Directors determine the powers to be delegated to the executive management, the procedures for taking any action, and the validity of such delegation. The Board also decides on matters over which the Board of Directors have sole decision-making powers. The executive management submits periodic reports to the Board on exercising the delegated powers.

The Board of Directors' main functions are as follows:

- a. Adopting the strategic aims and main objectives of the Company as well as overseeing their implementation, including:
 - Developing, reviewing and managing the Company's comprehensive strategy, main business plans and risk management policy.
 - Determining the optimal capital structure of the Company, its strategies and financial objectives, as well as approving annual budgets.
 - Overseeing the Company's capital expenditures and the ownership and disposal of assets.
- b. Developing and overseeing the following internal control systems and regulations:
 - Setting performance objectives and monitoring the Company's overall performance.
 - Periodically reviewing and adopting the Company's organizational and human resource structures.
 - Ensuring the availability of necessary human and financial resources to achieve the Company's objectives and main plans.
 - Developing a written policy to regulate conflicts of interest and address possible conflicts of interest by directors, executive management and shareholders, including misuse of Company assets and facilities, and misconduct resulting from transactions with related parties.
 - Ensuring the integrity of the financial and accounting systems used, including relevant financial reporting systems.
 - Ensuring that appropriate risk management systems are in place by identifying the overall risks that the Company may face and transparently presenting such risks.
 - Annually reviewing the effectiveness of the Company's internal control procedures.
 - Prepare and approve the Company's Authority Matrix.
- c. Establishing and adopting clear and specific policies and criteria for Board membership subject to General Assembly approval, provided that these policies and criteria do not contravene the instructions issued by the relevant authorities in this regard.

- d. Developing policies and procedures to ensure that the Company complies with laws and regulations, while remaining committed to disclosing material information to shareholders.
 - e. Ultimate responsibility for the Company remains vested in the Board even if it has formed committees or delegated responsibilities to other parties or individuals. The Board shall avoid issuing general or unlimited powers of attorney.
 - f. The Board must perform its duties with good faith, diligence and care. Board decisions shall be based on adequate information received from the executive management or any other reliable source such as consultants and experts.
 - g. Board members represent all shareholders, and must commit themselves to upholding the Company's interest in general and not the interests of the companies that they represent or that voted to appoint them to the Board of Directors.
- Encouraging Board members to effectively perform their duties in order to achieve the interests of the Company;
 - Ensuring that there are actual communication channels with shareholders and conveying their opinions to the Board;
 - Encouraging constructive relationships and effective participation between the Board of Directors and executive management and between executive, non-executive and independent members, and creating a culture that encourages constructive criticism;
 - Ensuring that Board meeting agendas are prepared, taking into consideration any matters raised by Board members or the auditor and consult with Board members and the Managing Director upon preparing the Board's agenda;
 - Convening periodic meetings with non-executive Directors without the presence of any Company executive officers; and
 - Upon its convening, notifying the Ordinary General Assembly of the businesses and contracts in which any Board member has direct or indirect interest.

Chairman of the Board

The responsibilities of the Chairman of the Board of Directors revolve around leading the Board and facilitating constructive contributions and initiatives by all Board members to ensure that the Board is effective in performing its functions as a whole through the exercise of its duties and responsibilities.

One of the essential responsibilities for the Chairman of the Board of Directors is to ensure that Board meetings are effective and have an impact on the Company state of affairs, through:

- Ensuring that Board members obtain complete, clear, accurate and non-misleading information in due course;
- Ensuring that the Board effectively discusses all fundamental issues in due course;
- Representing the Company before third parties, the judiciary, notaries public, and all governmental and private entities, as well as sign on behalf of the Company in accordance with the Companies Law, its Implementing Regulations and the Company's Bylaws;

Other responsibilities of the Chairman include being the Board's official spokesman, which sometimes requires exhibiting an ability to lead under difficult conditions. In some cases, such situations require the Chairman to publicly speak on behalf of the Company even if that task falls within the main responsibilities of the Managing Director.

In addition thereto, the Chairman is considered to be the principal link between management and the Board. Among the Chairman's other responsibilities is the management of annual General Assembly meetings and playing the preeminent role in the Company's relationship with stakeholders, or delegate others at his discretion to manage such meetings.

Managing Director

Within the limits of the powers delegated thereto by the Board of Directors or specified in the Authority Matrix; from time to time, the Managing Director shall represent shareholders in following up on the daily activities of the Company, directing management and reviewing important decisions before passing them to the Board. The Managing Director shall have the widest powers to represent the Company before all government agencies. The Managing Director's roles and responsibilities include:

- follow up on implementing the Company's internal policies and rules approved by the Board;
- follow up on implementing internal control systems and procedures, and generally overseeing them.
- follow up on implementing the Company's Corporate Governance rules effectively, and proposing amendments thereto if needed;
- ensure implementation of policies and procedures to ensure the Company's compliance with the laws and regulations and its obligation to disclose material information to shareholders and stakeholders;
- providing the Board with the information required to exercise its competencies;
- reviewing the budget prior to presenting the same to the Board;
- reviewing periodic financial and non-financial reports in respect of the progress achieved in the business of the Company in light of the strategic plans and objectives of the Company, and presenting such reports to the Board;
- supervising the CEO to ensure that work is proceeding in an optimal manner and in line with the Company's objectives and strategy;
- ensuring the effectiveness and adequacy of internal controls, and ensuring that business risks are adequately managed and monitored;
- suggesting a clear policy for delegating business to Executive Management and the implementation manner thereof;
- effective participation in building and developing a culture of ethical values within the Company;
- approving press releases and media statements;
- approving transactions based on the limits set

forth in the Authority Matrix approved by the Board of Directors; and

- in addition to the responsibilities and powers set forth in this Section, the Managing Director shall have all the powers delegated thereto under the Authority Matrix approved by the Board, as amended from time to time.

Secretary

The Secretary of the Board of Directors is responsible for certain tasks, but main responsibilities entail ensuring that the Board has appropriate means to provide advice and assist the Board of Directors in fulfilling their obligations to the Company. In addition, the Secretary shall assist the Board of Directors to comply with important regulatory requirements.

Whereas the task of the Secretary of the Board of Directors is to always act in the interest of the Company and its shareholders, he must be protected from any influence exercised by the management and other parties.

In addition thereto, the Secretary of the Board of Directors shall assist in ensuring that Board meeting procedures are followed.

Chief Executive Officer

The Chief Executive Officer is responsible for the financial and operational performance of the Company in general, the development and implementation of the Company's strategy, and the implementation of the Company's Board approved annual business plan. The Chief Executive Officer directly reports to the Company's Managing Director, and acts as a liaison between the Managing Director and the Management of the Company.

Biographies of the Members and Secretary of the Board

An overview of the experiences, qualifications, as well as current and previous positions of each of the Directors and the Secretary of the Board of Directors.

Saleh Abdullah Ali Almunajem

Nationality:	Saudi
Current Position:	Chairman of the Board of Directors
Appointment Date:*	15/02/2021G
Academic Qualifications:	High school diploma from Al-Nasr School in Riyadh, in 1976G.
Current Executive Positions:	<ul style="list-style-type: none"> From 2022G, Vice Chairman of the Board of Directors of Abdullah Ali Almunajem Sons Company, a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in the admin & support services as well as the catering & food services From 2022G, Vice Chairman of the Board of Directors of Al Kafa'a Real Estate Company, a closed joint stock company established in the Kingdom of Saudi Arabia, operating in the establishment, development, sale, and lease of residential, commercial, and industrial projects; purchase of lands to construct buildings thereon and then sell or lease the same for the benefit of the company; ownership and lease of properties for the benefit of the company; manage and maintain properties, residential complexes, commercial centers and tourist complexes
Other Current Memberships:	<ul style="list-style-type: none"> Since 2009G, member of the board of directors of Abdullah Ali Almunajem Sons Company, a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in the admin & support services as well as the catering & food services. Since 2007G, member of the board of directors of Al-Kafaa Real Estate Company, a closed joint stock company established in the Kingdom of Saudi Arabia, operating in the establishment, development, sale, and lease of residential, commercial, and industrial projects; purchase of lands to construct buildings thereon and then sell or lease the same for the benefit of the company; ownership and lease of properties for the benefit of the company; manage and maintain properties, residential complexes, commercial centers and tourist complexes

Previous Executive Positions:	<ul style="list-style-type: none"> From 1990G to 2006G, procurement and sales director at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in the wholesale and retail for fruits, vegetables, and chilled and frozen meat. From 1986G to 1990G, sales and marketing director at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in the wholesale and retail of fruits, vegetables, and chilled and frozen meat. From 1978G to 1985G, director of the Ateeqa Cold Store branch in Riyadh at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in the wholesale and retail of fruits, vegetables, and chilled and frozen meat
Other Previous Memberships:	<ul style="list-style-type: none"> From 2017G to 2020G, member of the Agriculture and Food Security Committee at the Council of Saudi Chambers and the Riyadh Chamber. In 2013G, member of the Saudi-Moroccan Business Council. From 2010G to 2013G, member of the Saudi-Indian Business Council. From 2005G to 2008G, Chairman of the Saudi-Spanish Business Council.

* Board Members were appointed at the General Assembly meeting dated 15/02/2021G, and Mr. Saleh was appointed as Chairman of the Board of Directors pursuant to Board Resolution no. 1, dated 22/02/2021G.

Suliman Abdulrahman AlGwaiz

Nationality:	Saudi
Current Position:	Vice Chairman of the Board of Directors
Appointment Date:*	15/02/2021G
Academic Qualifications:	Bachelor's degree in business administration from the Portland State University in the United States of America, in 1981G
Other Current Memberships:	<ul style="list-style-type: none"> Since 2020G, vice chairman of the board of directors of Future Business Company, a closed joint stock company established in the Kingdom of Saudi Arabia, operating in labor market development. Since 2015G, chairman of the board the directors of Etihad Etisalat Company (Mobily), a listed joint stock company established in the Kingdom of Saudi Arabia, operating in the telecommunications sector Since 2015G, member of the board of directors of the Saudi Arabian Mining Company (Maaden), a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the mining sector. Since 2013G, vice chairman of the board of the Saudi Industrial Investment Group, a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in petrochemicals production

Previous Executive Positions:	<ul style="list-style-type: none"> • From 2013G to 2021G, governor of the General Organization for Social Insurance (GOSI), a Saudi governmental agency (retired since 2021G). • From 2002G to 2013G, assistant Chief Executive Officer at Riyadh Bank, a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the banking sector. • From 1995G to 2002G, director of the corporate and personal banking and branch network at Riyadh Bank, a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the banking sector. • From 1992G to 1995G, regional director of the central region at Riyadh Bank, a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the banking sector. • From 1989G to 1992G, director of the central region corporate banking at the Saudi National Bank (formerly, Samba Financial Group), a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the banking sector. • From 1986G to 1989G, director of the public sector at the Saudi National Bank (formerly, Samba Financial Group), a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the banking sector. • From 1985G to 1986G, director of business services at the Saudi National Bank (formerly, Samba Financial Group), a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the banking sector. • From 1983G to 1985G, director of operations in the main branch in Riyadh of the Saudi National Bank (formerly, Samba Financial Group), a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the banking sector. • From 1981G to 1983G, director of treasury operations at the Saudi National Bank (formerly, Samba Financial Group), a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the banking sector.
Other Previous Memberships:	<ul style="list-style-type: none"> • From 2014G to 2020G, chairman of the board of directors of Hassana Investment Company, a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in asset investment. • From 2014G to 2018G, chairman of the board of directors of Banque Saudi Fransi, a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the banking sector. • From 2008G to 2013G, vice chairman of the board of directors of Ajil Finance Leasing, a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in finance leasing. • From 1997G to 2013G, chairman of the board of directors of Royal & Sun Alliance Insurance (Middle East), a Bahraini company established in the Kingdom of Bahrain, and operating in the insurance sector. • From 1996G to 2013G, member of the board of directors of MasterCard International, Africa and South Asia region, an American company established in the United States of America, and operating in credit card services and payment sector. • From 1997G to 2006G, chairman of the board of directors of Alalamiya Insurance Company, a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in the insurance sector. • From 1995G to 1999G, member of the board of directors of the National Industrialization Company, a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the petrochemicals production sector. • From 1993G to 1995G, member of the board of directors of the National Company for Glass Industries (Zoujaj), a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the glass panel production.

* Board Members were appointed at the General Assembly meeting dated 15/02/2021G, and Mr. Suliman AlGwaiz was appointed as Vice Chairman of the Board of Directors pursuant to Board Resolution no. 1, dated 22/02/2021G.

Fahad Abdulmohsen Abdulrahman AlFadley

Nationality:	Saudi
Current Position:	Managing Director
Appointment Date:*	15/02/2021G
Academic Qualifications:	Bachelor's degree in chemical engineering from King Saud University in Riyadh in 1995G.
Current Executive Positions:	Since 2017G, Chief Executive Officer of Abdullah Ali Almunajem Sons Company, a Saudi closed joint stock company established in the Kingdom of Saudi Arabia, and operating in the admin & support services as well as the catering & food services.
Other Current Memberships:	Since 2018G, chairman of the board of directors of France Poultry, a simplified joint stock company established in France, and operating in the poultry production sector.
Previous Executive Positions:	<ul style="list-style-type: none"> • From 2013G to 2017G, Chief Executive Officer of Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in the wholesale and retail of fruits, vegetables and chilled and frozen meats. • From 2008G to 2013G, general manager of commercial affairs at Yamama Cement Company, a public joint stock company established in the Kingdom of Saudi Arabia, and operating in the cement industry. • From 2007G to 2008G, key accounts manager at SABIC, a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the production of petrochemicals, fertilizers and minerals. • From 2004G to 2007G, sales manager at SABIC, a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the production of petrochemicals, fertilizers and minerals. • From 2000G to 2004G, logistics and operations director at SABIC, a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the production of petrochemicals, fertilizers and minerals. • From 1995G to 2000G, marketing researcher at SABIC, a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the production of petrochemicals, fertilizers and minerals.

* Board Members were appointed at the General Assembly meeting dated 15/02/2021G, and Mr. Fahd Abdulmohsen Abdulrahman AlFadhli was appointed as Managing Director pursuant to Board Resolution no. 1, dated 22/02/2021G.

Hasan Shakib Murad AlJabri

Nationality:	Saudi
Current Position:	Member of the Board of Directors
Appointment Date:	15/02/2021G
Academic Qualifications:	Bachelor's degree in agricultural engineering from the American University of Beirut in Lebanon in 1984G.
Current Executive Positions:	Since 2018G, Chief Executive Officer of the Saudi Economic and Development Company (SEDCO Holding), a holding company established in the Kingdom of Saudi Arabia, and operating in the responsible and sustainable investment sector.
Other Current Memberships:	<ul style="list-style-type: none"> • Since 2020G, member of the board of directors of Yusr International School, a limited liability company established in the Kingdom of Saudi Arabia, and operating in the education sector. • Since 2020G, member of the board of directors of the Saudi Economic and Development Securities Company (SEDCO Capital), a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in global asset management. • Since 2019G, member of the board of directors of the Arabian Petroleum Supply Company (APSCO), a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in the petroleum products sector. • Since 2019G, member of the board of directors and chairman of the Audit Committee at Saudi Airlines Catering, a listed joint stock company established in the Kingdom of Saudi Arabia, and providing catering services to the national carrier in the Kingdom of Saudi Arabia, the Saudi Arabian Airlines Public Corporation. • Since 2018G, member of the board of directors of Elaf Travel and Tourism Group, a limited liability company established in the Kingdom of Saudi Arabia, and operating in the tourism, travel and hotel sectors. • Since 2010G, vice chairman and chairman of the executive committee of Dar Al Tamleek Company, a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in providing home financing solutions in Saudi Arabia.
Previous Executive Positions:	<ul style="list-style-type: none"> • From 2010G to 2018G, Chief Executive Officer at the Saudi Economic and Development Securities Company (SEDCO Capital), a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in global asset management. • From 2007G to 2010G, head of investment banking at NCB Capital Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in services of management, custody, arrangement, advice, underwriting, and dealing as principal and agent in securities. • From 2001G to 2007G, head of corporate banking department at National Commercial Bank, a joint stock company established in the Kingdom of Saudi Arabia. • From 1998G to 2001G, executive vice president at Dar Al-Maal Al-Islami, a financial institution established in Switzerland, and operating in the banking sector. • From 1984G to 1998G, president of the western region corporate banking group and senior manager of credit services at the Saudi National Bank (formerly, Samba Financial Group), a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the banking sector.

Other Previous Memberships:	<ul style="list-style-type: none"> • From 2012G to 2018G, chairman of the board of directors of SEDCO Capital Luxembourg for Financial Investments, a limited liability company established in Luxembourg, and operating in investments. • From 2012G to 2018G, chairman of the board of directors of SEDCO Capital Global Funds for Investments, a limited liability company established in Luxembourg, and operating in global investments. • From 2012G to 2018G, member of the board of directors of Ahmed Mohamed Saleh Baeshen & Partners Company, a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in the foodstuffs supply sector. • From 2010G to 2018G, member of the board of directors of the Saudi Economic and Development Securities Company (SEDCO Capital), a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in asset management. • From 2010G to 2017G, member of the board of directors of the Roots Arabia Company, a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in the building materials industry. • From 2011G to 2016G, member of the board of directors and chairman of the audit committee at Saudi Airlines Catering. • From 2007G to 2010G, member of the board of directors and managing director of NCB Capital, a joint stock company established in the Kingdom of Saudi Arabia, and operating in services of management, custody, arrangement, advice, underwriting and dealing as principal and agent in securities
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Abdullah Omar Bawazir

Nationality:	Yemeni
Current Position:	Member of the Board of Directors
Appointment Date:	15/02/2021G
Academic Qualifications:	Bachelor's degree in accounting from King Saud University in Riyadh in 1992G.
Current Executive Positions:	Since 2013G, Chief Financial Officer at Abdullah Ali Almunajem Sons Company, a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in the admin & support services as well as the catering & food services.
Other Current Memberships:	Since 2018G, member of the board of directors of France Poultry, a simplified joint stock company established in France, and operating in the poultry production sector

Previous Executive Positions:	<ul style="list-style-type: none"> From 2010G to 2013G, Chief Financial Officer at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in the wholesale and retail of fruits, vegetables, and chilled and frozen meats. From 2002G to 2009G, finance manager at Gulf Catering Food Factory, a limited liability company established in the Kingdom of Saudi Arabia, operating in the production and distribution of pastries and baked goods. From 2000G to 2002G, audit manager at Ernst & Young and Partners (Chartered Accountants), a partnership established in the Kingdom of Saudi Arabia, operating in auditing and consulting. From 1998G to 2000G, audit supervisor at Ernst & Young and Partners (Chartered Accountants), a partnership established in the Kingdom of Saudi Arabia, engaging in auditing and consulting. From 1992G to 1997G, auditor at Ernst & Young and Partners (Chartered Accountants), a partnership established in the Kingdom of Saudi Arabia, engaged in auditing and consulting.
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Mohammad bin Ibrahim bin Abdulrahman AlRowette

Nationality:	Saudi
Current Position:	Member of the Board of Directors
Appointment Date:	15/02/2021G
Academic Qualifications:	Bachelor's degree in business administration from the University of Southern California in the United States of America in 1992G.
Current Executive Positions:	Since 2007G, Chief Executive Officer of Four Steps International, a sole proprietorship established in the Kingdom of Saudi Arabia, and operating in the marketing consultancy and business development sector.
Other Current Memberships:	<ul style="list-style-type: none"> Since 2017G, founder and member of the board of directors of the Marketing Consulting Association, a professional association licensed by the Ministry of Human Resources. Since 2017G, member of the advisory board at Manfaa Company, a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in the financial technology sector. Since 2015G, member of the board of directors of Dr. Muhammad Al-Faqih & Partners Company, a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in the health sector (hospital management).

Previous Executive Positions:	<ul style="list-style-type: none"> From 2005G to 2007G, executive vice president of marketing at the Saudi Marketing Research Group, a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the media, publishing and printing sector. From 2003G to 2005G, general manager of marketing at L'azurde Group, a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the jewellery and gold sector. From 2000G to 2003G, marketing director at Coca-Cola International Beverages Company, a listed joint stock company established in the United States of America, and operating in the soft drinks sector. From 1992G to 2000G, assistant general manager of marketing at Savola Group, a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the foodstuff sector.
Other Previous Memberships:	<ul style="list-style-type: none"> From 2010G to 2012G, vice president of the marketing committee in the Riyadh Chamber.

Ghaith bin Shuail bin Saleh ALOtaibi

Nationality:	Saudi
Current Position:	Secretary of the Board of Directors
Appointment Date:	07/02/2021G
Academic Qualifications:	Bachelor's degree in Law from Imam Muhammad bin Saud Islamic University in Riyadh in 2016G
Professional Qualifications:	Lawyer licensed by the Ministry of Justice pursuant to Ministry of Justice Resolution No. 41322, dated 13/05/1441H (corresponding to 08/01/2020G).
Current Executive Positions:	Since 2017G, legal affairs specialist at Almunajem Foods Company, a limited liability company established in the Kingdom of Saudi Arabia, and operating in wholesale and retail trade in fruits, vegetables, and chilled and frozen meat.
Previous Executive Positions:	From 2015G to 2016G, trainee at the Agency for Legal Affairs and International Cooperation at the Ministry of Interior in the Kingdom of Saudi Arabia.

Description of any interest, contractual securities or rights issue of the Board members, Senior Executives and their relatives on the shares or debt instruments of the Company or its affiliates, and any change on such interest or rights during the last fiscal year

The Board of Directors confirms that the Company does not have any properties, including contractual securities or other assets the value whereof is subject to fluctuations or is difficult to ascertain, which materially affects the assessment of the financial position.

Remuneration of Directors

Pursuant to the Company's Bylaws, remunerations of Board Directors shall be determined by the Ordinary General Assembly, in accordance with the Companies Law and regulations thereof. Such remuneration may consist of a specific amount or an attendance allowance, and could also combine both. The Board of Directors' report submitted to the Ordinary General Assembly must include a comprehensive statement of all monies received by members of the Board of Directors during the financial year in terms of remunerations, expenses allowance and other in-kind benefits; and shall also include a statement of remuneration received by the board members in their capacity as employees or executives of the company, or for any technical, administrative, or consultancy services they may have provided. It shall also include a statement of the number of Board meetings and the number of meetings attended by each member from the date of the last meeting of the General Assembly. It should be noted that under the Company's Bylaws, members of the Board do not have the power to vote on their remuneration or compensation. The remuneration of the Board of Directors, if any, is determined by the Ordinary General Assembly, and this remuneration may be a certain amount or an attendance allowance and a transportation allowance, and it is permissible to combine the latter.

The remuneration of Senior Executives is determined according to the employment contracts concluded therewith in accordance with the remuneration policy approved by the Nomination and Remuneration Committee.

Furthermore, neither the Directors nor Senior Executives have powers to borrow from the Company or vote on a contract or an arrangement in which they have a material interest.

Remunerations of the members of the Board of Directors and its committees:

The remuneration of the members of the board of directors, if any, is determined by the ordinary general assembly, and this remuneration may be a certain amount or an attendance allowance and a transportation allowance, and it is permissible to combine the two in accordance with the official decisions and instructions issued in this regard and within the limits of what is stipulated in the Companies Law and its regulations, The following is a comprehensive statement of the amounts paid and owed in bonuses and allowances to members of the Board of Directors during the fiscal year 2021 AD.

Remunerations and allowances paid and due to members of the Board of Directors for the year 2021 AD:

No.	Name	Position	Fixed Bonus	Allowance for attending sessions	Total
1	Saleh bin Abdullah Almunajm	Chairman of the Board	-	-	-
2	Sulaiman bin Abdulrahman Al Gwaiz	Vice Chairman of the Board	250,000	6,000	256,000
3	Fahd bin Abdulmohsen Al Fadley	Managing Director	-	-	-
4	Hassan bin Shakib Al Jabri	Member	250,000	6,000	256,000
5	Abdullah Omar Bawazir	Member	-	-	-
6	Mohammad bin Ibrahim Alrowette	Member	250,000	6,000	256,000
	Total:		750,000	18,000	768,000

Remunerations and allowances paid and due to members of the Nomination and Remuneration Committee for the year 2021 AD

No.	Name	Position	Fixed bonus	Allowance for attending sessions	Total
1	Hassan bin Shakib Al Jabri	Committee president	50,000	6,000	56,000
2	Abdullah Omar Bawazir	Member	-	-	-
3	Mohammad bin Ibrahim Alrowette	Member	50,000	6,000	56,000
	Total		100,000	12,000	112,000

Remunerations and allowances paid and due to members of the Audit Committee for the year 2021 AD

No.	Name	Position	Fixed bonus	Allowance for attending sessions	Total
1	Sulaiman bin Abdulrahman Al Gwaiz	Committee president	50,000	12,000	62,000
2	Hassan bin Shakib Al Jabri	Member	50,000	12,000	62,000
3	Abdullah Omar Bawazir	Member	-	-	-
	Total		100,000	24,000	124,000

It should be noted that there is no waiver of remuneration for any of the members of the executive management or members of the board of directors, except that the Chairman of the Board, Mr. Saleh Abdullah Almunajem and the Managing Director, Mr. Fahd bin Abdulmohsen Al Fadley, and board member Mr. Abdullah Omar Bawazir have waived their right to receive any remuneration and allowances for their membership in the Board for 2021.

Board Committees

The Company has established an appropriate number of Committees as required by the Company's needs and circumstances, allowing the Board to effectively perform its duties. Board Committees shall be formed according to general procedures set by the Board of Directors, which include determining the Committee's tasks, the duration of its work, the powers granted thereto and manner by which the Board of Directors shall monitor its activities. The Committee must inform the Board of its activities, findings, or decisions taken with absolute transparency, and the Board shall periodically follow up on Committee work to verify that they are carrying out the tasks entrusted thereto.

The following is a summary of the structure, responsibilities and current members of each permanent Committee:

Nomination and Remuneration Committee

The main function of the Nomination and Remuneration Committee is to identify qualified candidates who are eligible for Board membership

and who satisfy membership requirements, as well as assist the Board in establishing a sound governing system and building the necessary policies and procedures therefor. The Committee's scope of work includes all duties designed to enable it to fulfil its functions, including:

- Nominating individuals qualified to become Board members.
- Conducting an annual review of Board membership requirements, which shall include the candidates' capabilities, experience and availability to fulfil their Board responsibilities.
- Reviewing the structure of the Board and recommend amendments that serve the Company's best interests.
- Determining the strengths and weaknesses of the Board of Directors and proposing the required amendments that serve the Company's best interests.
- Nominating candidates for the positions of CEO and Managing Director as well as nominating committee members for approval by the Board or the General Assembly.

- Reviewing the policies and procedures for approving the Board of Directors prior to adoption by the General Assembly.
- Monitoring the independence of independent Board members and monitoring any conflicts of interest, on an annual basis.
- Reviewing the preparatory materials and training courses for new Board members.
- Establishing clear policies regarding the remuneration of managers and Senior Executives.
- Reviewing and proposing plans for the assumption of key executive functions.
- Reviewing the Company's overall structure for rewards and benefits, which includes employment grades, wages and benefits structure, as well as performance-related rewards and incentives.
- Approving changes in the remuneration of the CEO, and a recommendation to change the remuneration of the Managing Director, members of the Board of Directors, and members of the various Board committees.
- Approving extraordinary remuneration (recruitment or performance remuneration) for the CEO and senior positions.

The Nominations and Remunerations Committee shall be one of the committees emanating from the Board of Directors. The committee shall be composed of at least (3) members, subject to the following:

- All members of the committee shall be non-executive members of the Board of Directors, provided that they include at least one independent member.
- The Chairman of the committee shall be an independent member.
- The Chairman of the Board of Directors shall not also occupy the position of Chairman of the committee.
- Members of the committee should possess the proper qualifications, appropriate practical training, and knowledge of the administrative aspects and nature of the Company's business.

The Nominations and Remunerations Committee shall be formed by a Board resolution. Upon the recommendation on the Board, the Company's General Assembly, shall adopt the charters of the Nominations and Remunerations Committee, which shall include the Committee's functions, its procedures, its tasks, its rules for selecting its members, the term of the membership, and the remuneration of the members.

Nomination and Remuneration Committee Members

No.	Name	Title
1	Hasan bin Shakib bin Murad AlJabri	Chairman
2	Abdullah Omar Bawazir	Member
3	Mohammad bin Ibrahim bin Abdulrahman AlRowette	Member

Source: The Company

Audit Committee

The Audit Committee is responsible for monitoring the Company's business and verifying the integrity and veracity of its reports, financial statements and internal control systems. The Committee's tasks include, the following:

- Analyzing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
- Providing technical opinion, at the request of the Board, regarding whether the Board's report

and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy.

- Analyzing any important or non-familiar issues contained in the financial reports.
- Accurately investigating any issues raised by the Company's chief financial officer or any person assuming his/her duties or the Company's compliance officer or external auditor.
- Examining the accounting estimates in respect of significant matters that are contained in the financial reports.

- Examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.
- Studying and reviewing the Company's internal and financial control and risk management systems.
- Reviewing internal audit reports and follow up on the implementation of corrective measures in respect of the remarks made in such reports.
- Monitoring and overseeing the performance and activities of the internal auditor and the Company's internal audit department, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned tasks and duties. If the Company does not have an internal auditor, then the committee shall submit its recommendation to the Board on whether there is a need for appointing an auditor.
- Recommending the Board of Directors to appoint the head of the internal audit unit or department director, or an internal auditor, and propose his/her remunerations.
- Recommending the Board of Directors to nominate, dismiss, determine the remuneration, and evaluate the performance of the external auditors, after verifying their independence and reviewing the scope of their work and the terms of their contracts.
- Verifying the external auditors' independence, objectivity and fairness, and the effectiveness of audit work, taking into account relevant rules and standards.
- Reviewing the plan and work of the Company's external auditors, and ensuring that it does not provided any technical or administrative works that are beyond the scope of work, and express its opinion thereon.
- Responding to the queries of the Company's external auditors.
- Reviewing the external auditors' report and notes on the financial statements and follow up on actions taken in their regard.
- Reviewing the findings of the supervisory authorities' reports and ensuring that the Company has taken the necessary measures in that regard.
- Verifying the Company's compliance with relevant laws, regulations, policies and instructions.
- Reviewing the contracts and the Related Party Transactions and providing its recommendations in this regard to the Board of Directors.
- Drafting a report on its opinion regarding the adequacy of the Company's internal control system and other duties undertaken within the scope of its competencies.
- Reporting to the Board of Directors any issues it deems necessary to take action on, and providing recommendations as to the steps to be taken.
- The Audit Committee shall be one of the Committees emanating from the Board of Directors. The committee shall consist of three (3) members from among shareholders or others, provided that it includes at least one independent member and does not include any executive members of the Board of Directors. In addition, at least one member of the Committee shall be specialized in financial and accounting affairs, and it is not permissible for anyone who works or has worked during the past two years in the executive or financial management of the Company or for the Company's auditor, to be a member of the Audit Committee. A member shall be deemed a specialist in financial and accounting affairs if they hold a bachelor's degree in accounting or equivalent thereof and has no less than seven years practical experience in the field of accounting and auditing, reduced to five years if holding a fellowship of the Saudi Organization for Certified Public Accountants or any similar professional qualification approved by the SOCPA.

Audit Committee Members

No.	Name	Title
1	Suliman Abdulrahman AlGwaiz	Chairman
2	Hasan bin Shakib bin Murad AlJabri	Member
3	Abdullah Omar Bawazir	Member

Overview of Senior Management

The Company's Senior Management is comprised of qualified Saudi and non-Saudi members with international and local expertise in the import, trade, marketing and export of frozen fruits and vegetables, chilled and frozen meat and foodstuffs of all kinds. The chief responsibility of the CEO is to manage the affairs of the Company and supervise its performance in line with the objectives and directives of the Board of Directors and the shareholders.

The Senior Management currently comprises ten (10) members, as set out in the table below:

Senior Management Details

No.	Name	Position	Date of Appointment at Current Position	Nationality	Number of Shares Post-Offering	Indirect Ownership Post-Offering
1	Eng. Thamer bin Abdulaziz Abanumay	Chief Executive Officer	01/08/2017G	Saudi	N/A	N/A
2	Assim Mohammed Al Attas	Chief Financial Officer	26/10/2013G	Yemeni	N/A	N/A
3	Mohammed Ali Almunajem	Support Services Director	01/11/2010G	Saudi	N/A	N/A
4	Mazen Abdul Ghani El Danab	Procurement Director	15/07/2014G	Lebanese	N/A	N/A
5	Mustapha Mohsen Fawaz	Sales Director	01/10/2014G	Lebanese	N/A	N/A
6	Ali Fayez Khreis	Supply Chain Director	02/11/2014G	Lebanese	N/A	N/A
7	Majed Mohammed Al Bakheet	Human Resources Director	01/03/2015G	Saudi	N/A	N/A
8	Mohamed Attia Mohamed Abdelhady	Quality Manager	22/06/2011G	Egyptian	N/A	N/A
9	Mazen Abdulwahed	Internal Audit Director	14/02/2016G	Canadian	N/A	N/A
10	Rabih Bouzeined dine	Chief Information Officer	22/09/2007G	Canadian	N/A	N/A

Biographies of Senior Executives

The experiences, qualifications and current and previous positions of each Senior Executive are set out below:

Thamer bin Abdulaziz Abanumay

Nationality:	Saudi
Current Position:	Chief Executive Officer
Appointment Date:	01/08/2017G
Academic Qualifications:	Bachelor's degree in mechanical engineering from the college of engineering from King Saud University in 1996.
Professional Qualifications:	<ul style="list-style-type: none"> • In 2017G, executive manager at Almarai Company, a public joint stock company established in the Kingdom of Saudi Arabia, and operating in the food industry, dairy derivatives, juices and poultry. • From 2014G to 2016G, executive vice president at Al Rajhi Industrial Group, a limited liability company established in the Kingdom of Saudi Arabia, and operating in the sponge, plastic, paper, water and sweets industry. • From 2011G to 2014G, director of global business in the functional chemicals sector, at SABIC, a public joint stock company established in the Kingdom of Saudi Arabia, and operating in the petrochemicals, fertilizers and metals industry. • From 2009G to 2011G, director of global business in the polymers sector at SABIC, a listed joint stock company established in the Kingdom of Saudi Arabia, and operating in the petrochemicals, fertilizers and metals industry. • From 2004G to 2009G, regional business manager at Sabic Africa for Trade and Marketing, a limited liability company established in Egypt, and engaging in the petrochemicals, fertilizers and minerals sector. • From 1996G to 2004G, sales manager at SABIC, a public joint stock company established in the Kingdom of Saudi Arabia, and operating in the petrochemicals, fertilizers and metals industries.
Current Executive Positions:	<ul style="list-style-type: none"> • From 2012G to 2015G, member of the board of directors of the Saudi Petrochemical Company (Sadaf), a limited liability company established in the Kingdom of Saudi Arabia, and operating in the petrochemical sector. • From 2012G to 2015G, member of the marketing committee of the board of directors of at the Saudi Petrochemical Company (Sadaf), a limited liability company established in the Kingdom of Saudi Arabia, and operating in the petrochemical sector.

Assim Mohammed Al Attas

Nationality:	Yemeni
Current Position:	Chief Financial Officer
Appointment Date:	26/10/2013G
Academic Qualifications:	<ul style="list-style-type: none"> • Master's degree in business administration from HEC Paris in France in 2017G. • Bachelor's degree in business administration, accounting major, from Al-Ahqaff University in Yemen, in 2005G.
Previous Executive Positions:	<ul style="list-style-type: none"> • In 2013G, Financial Planning and Analysis Manager for Middle East and Africa, Power and Water Repairs at General Electric Company, a limited liability company established in the Kingdom of Saudi Arabia, and operating in the energy, health care, aviation and other sectors. • From 2010G to 2013G, Global Corporate Auditor, Corporate Audit Staff at General Electric Company, a public joint stock company established in the United States, and operating in the energy, health- care and aviation sectors. • From 2009G to 2010G, Assistant Manager in the Transaction Advisory Service department at Ernst • & Young & Co. (Chartered Accountants), a partnership established in the Kingdom of Saudi Arabia, engaging in auditing and consulting. • From 2008G to 2009G, Senior Auditor in the Audit department at Ernst & Young & Co. (Chartered Accountants), a partnership established in the Kingdom of Saudi Arabia, engaging in auditing and consulting. • From 2005G to 2008G, Associate Auditor in the audit department at Ernst & Young & Co. (Chartered Accountants), a partnership established in the Kingdom of Saudi Arabia, engaging in auditing and consulting.
Awards and Achievements:	<ul style="list-style-type: none"> • In 2013G, "Above & Beyond" bronze award from the CFO for the Middle East and Africa region, Power Generation Services – Repairs sector at General Electric Company, a limited liability company established in the Kingdom of Saudi Arabia, and operating in the energy, healthcare and aviation sectors. • In 2013G, certificate of graduation from the vice president of the Corporate Audit Staff at General Electric Company, a public joint stock company established in the United States, and operating in the energy, health care and aviation sectors. • In 2021G, "Compliance Hero" award from the Vice President and Global CFO, oil and gas at General Electric Company, a limited liability company established in Italy, and operating in the oil and gas sector. • In 2009G, certificate of appreciation from the Head of Assurance – Middle East at Ernst & Young & Co. (Chartered Accountants), a partnership established in the Kingdom of Saudi Arabia, and engaging in auditing and consulting

Mohammed Ali Almunajem

Nationality:	Saudi
Current Position:	Support Services Director
Appointment Date:	01/11/2010G
Academic Qualifications:	High school diploma from Al Yamamah High School in Riyadh in 1984G.
Previous Executive Positions:	<ul style="list-style-type: none"> From 2004G to 2010G, director of administrative affairs and human resources at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in wholesale and retail trade of fruits, vegetables, and chilled and frozen meat. From 1991G to 2004G, branch manager at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in the wholesale and retail trade in fruits, vegetables, and chilled and frozen meat. From 1989G to 1991G, deputy director at Buraidah Foods Company, a limited liability company established in the Kingdom of Saudi Arabia, and operating in the supply and installation of insulation panels, production and distribution of cold store equipment. From 1986G to 1989G, branch manager at Almunajem Foods Company in Al-Rabwah district in Riyadh, a closed joint stock company established in the Kingdom of Saudi Arabia, and operating in the wholesale and retail trade in fruits, vegetables, and chilled and frozen meat.

Mazen Abdul Ghani El Danab

Nationality:	Lebanese
Current Position:	Procurement Director
Appointment Date:	15/07/2014G
Academic Qualifications:	<ul style="list-style-type: none"> Master's degree in business administration from the Lebanese American University in Lebanon, in 1996G. Bachelor's degree in business accounting from the Lebanese American University in Lebanon, in 1992G.

Previous Executive Positions:	<ul style="list-style-type: none"> • From 2012G to 2014G, sales manager of direct distribution, wholesale and food services departments at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia and engaging in wholesale and retail trade in fruits, vegetables, and chilled and frozen meat. • From 2008G to 2012G, sales manager for the direct distribution and food services divisions of Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and engaging in wholesale and retail trade in fruits, vegetables, and chilled and frozen meat. • From 2003G to 2008G, director of direct distribution at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and engaging in wholesale and retail trade in fruits, vegetables, and chilled and frozen meat. • From 1998G to 2003G, assistant director of sales at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and engaging in wholesale and retail trade in fruits, vegetables, and chilled and frozen meat.
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Mustapha Mohsen Fawaz

Nationality:	Lebanese
Current Position:	Sales director
Appointment Date:	01/10/2014G
Academic Qualifications:	Bachelor's degree in business administration and management from the American University of Beirut in Lebanon in 1994G.
Previous Executive Positions:	<ul style="list-style-type: none"> • From 2014G to 2013G, sales director for the supermarkets and direct distribution divisions at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in the wholesale and retail trade of fruits, vegetables, and chilled and frozen meat. • From 2009G to 2012G, sales manager of the supermarkets department at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in the wholesale and retail trade of fruits, vegetables, and chilled and frozen meat. • From 2008G to 2009G, sales manager at Alex GB, a limited liability company established in Egypt, and operating in the food and beverage sector. • From 2001G to 2008G, managing director at Poseidon SARL, a limited liability company established in Lebanon, and operating in the food and fresh foods sector. • From 1996G to 2001G, sales manager at Poseidon SARL, a limited liability company established in Lebanon, and operating in the food and fresh foods sector. • From 1995G to 1996G, trainee at Bank Audi, a private financial company with limited liability, established in Lebanon, and operating in the banking services sector.

Ali Fayez Khreis

Nationality:	Lebanese
Current Position:	Supply Chain Director
Appointment Date:	02/11/2014G
Academic Qualifications:	Bachelor's degree in telecommunications engineering from the Lebanese International University in Lebanon in 2008.
Previous Executive Positions:	<ul style="list-style-type: none"> From 2013G to 2014G, director of warehouse operations at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in the wholesale and retail trade in fruits, vegetables, and chilled and frozen meat. From 2011G to 2013G, deputy director of warehouse operations at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and engaging in wholesale and retail trade in fruits, vegetables, and chilled and frozen meat. From 2009G to 2011G, systems analyst at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and engaging in the wholesale and retail trade in fruits, vegetables, and chilled and frozen meat. From 2008G to 2009G, operator of the building management system at the Intercontinental Phoenicia Hotel, a limited liability company established in Lebanon, engaging in the management of hotels and tourism

Majed Mohammed Al Bakheet

Nationality:	Saudi
Current Position:	Human Resources Director
Appointment Date:	01/03/2015G
Academic Qualifications:	<ul style="list-style-type: none"> Executive master's degree in business administration in International Leadership and Management from Al Yamamah University in Riyadh in 2016G. Bachelor's degree in Business Administration from Imam Muhammad bin Saud Islamic University in Riyadh in 2012G.

Previous Executive Positions:	<ul style="list-style-type: none"> • From 2014G to 2015G, director of human resources operations at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in wholesale and retail trade of fruits, vegetables, and chilled and frozen meat. • From 2013G to 2014G, director of human resources at Aljomaih Beverage Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in the field of beverages. • From 2008G to 2013G, assistant director of human resources at Aljomaih Beverage Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in the field of beverages. • From 2007G to 2008G, human resources supervisor at Aljomaih Beverage Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in the field of beverages. • From 2003G to 2007G, international recruitment assistant at Prince Sultan Cardiac Center, a medical center, established in the Kingdom of Saudi Arabia, providing preventive, curative and rehabilitative care for employees of the Saudi armed forces and their families. • In 2003G, personnel assistant (Health Care, Other) at Prince Sultan Cardiac Center a medical center, established in the Kingdom of Saudi Arabia, providing preventive, curative and rehabilitative care for employees of the Saudi Armed Forces and their families.
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Mohamed Attia Mohamed Abdelhady

Nationality:	Egyptian
Current Position:	Quality Manager
Appointment Date:	08/07/2002G
Academic Qualifications:	Bachelor's degree in Agricultural Sciences from Ain Shams University, Cairo in Egypt in 1998G.
Previous Executive Positions:	<ul style="list-style-type: none"> • From 2004G to 2011G, department head in the quality team at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, operating in wholesale and retail trade of fruits, vegetables, and chilled and frozen meat. • From 2002G to 2004, quality controller for the central region at Almunajem Foods Company, a joint stock company established in the Kingdom of Saudi Arabia, and operating in wholesale and retail trade of fruits, vegetables, and chilled and frozen meat. • From 2000G to 2002G, production engineer at Al Orouba Factory (Basma) for frozen products, a limited liability company established in Egypt, and operating in the production of frozen vegetables and fruits. • From 1998G to 2000G, production engineer at Delta Food Factory, a limited liability company established in Egypt, and operating in the food and sweets sector.

Mazen Abdulwahed

Nationality:	Canadian
Current Position:	Internal Audit Director - "Chief Audit Executive"
Appointment Date:	14/02/2016G
Academic Qualifications:	Bachelor's degree in Commerce – Accounting from Beirut Arab University in Lebanon in 1996G.
Professional Qualifications:	<ul style="list-style-type: none"> • Certified Public Accountant, USA, 2004G. • Certified Fraud Examiner, USA, 2013G. • Certified Internal Controls Auditor, USA, 2013G. • Chartered Global Management Accountant, USA, 2014G.
Previous Executive Positions:	<ul style="list-style-type: none"> • From 2013G to 2016G, Senior Manager in the consulting services department at Ernst & Young (Chartered Accountants), a partnership established in the Kingdom of Saudi Arabia, and operating in auditing and consulting. • From 2010G to 2013G, Manager in the consulting services department at Ernst & Young & Co. (Chartered Accountants), a partnership established in the Kingdom of Saudi Arabia, and operating in auditing and consulting. • From 2008G to 2010G, Assistant Manager in the consulting services department at Ernst & Young & Co. (Chartered Accountants), a partnership established in the Kingdom of Saudi Arabia, and operating in auditing and consulting. • From 2006G to 2008G, Analyst in the external audit department at RSM Richter Company, a limited partnership established in Canada, and operating in auditing and consulting in Canada. • From 2002G and 2005G, Accountant in the accounting and consulting office at Les Conseillers Chacra Company, a limited liability company established in Canada, and operating in accounting services, issuing financial statements, taxes, and consulting. • From 2000G to 2002G, Corporate Credit Officer at Beirut Riyad Bank, a private financial company with limited liability, established in Lebanon, and operating in the banking services sector. • From 1997G to 2000G, Controller at the development unit at Beirut Riyad Bank, a private financial company with limited liability, established in Lebanon, and operating in the banking services sector. • In 1997G, Credit Card Officer at Beirut Riyad Bank, a private financial company with limited liability, established in Lebanon, and operating in the banking services sector. • From 1996G to 1997G, Accountant at Beirut Riyad Bank, a private financial company with limited liability, established in Lebanon, and operating in the banking services sector.

Rabih Bouzeineddine

Nationality:	Canadian
Current Position:	Chief Information Officer
Appointment Date:	22/09/2007G
Academic Qualifications:	Bachelor's degree in computer science from Eastern New Mexico University in the United States of America in 1983G.
Previous Executive Positions:	<ul style="list-style-type: none"> • From 2002G to 2007G, executive management advisor at Elissar Technologies, Inc., a private limited company established in Canada, and operating in information technology services and consulting. • From 1998G to 2002G, director of information systems for North America at MeadWestvaco Corporation (now known as Westrock Company), a public company established in the United States of America, and operating in the field of cardboard packaging. • From 1996G to 1998G, director of technical business services at Twinpack Inc., a public company established in Canada, and operating in the flexible packaging products industry. • From 1991G to 1996G, director of the computing services team at General Electric Appliances Company, a public company established in Canada, and operating in the manufacture of home appliances. • From 1989G to 1991G, director of the data center and professor of computer science at the University College of Commerce and Computer. • From 1985G to 1987G, pre sales support engineer at Mideast Data Systems, a holding company established in the United Arab Emirates, and operating in the distribution of software, hardware and network solutions. • From 1983G to 1985G, assistant professor in computer science at the university of New Hampshire in the United States of America.

Remuneration of Senior Executives

Fixed Salaries (SR)	Allowances* (SR)	Total (SR)	Variable Remuneration (SR)	Defined benefit liabilities (SR)	Total (SR)
3,979,830	505,236	4,485,066	1,165,500	384,906	6,035,472

The above table included the top five of executive management who had compensations from the company in 2021, included CEO and CFO.

*The allowances included housing and transportation.

Statement of the dates of the General Assembly meetings held during the last fiscal year and the names of the Board members who attended them

As stipulated in the company's articles of association in Article (29) that the general assembly shall be held at least once a year during the six (6) months following the end of the company's financial year, and other ordinary general assemblies may be called whenever the need arises, and the following is a statement of the associations that It was held during the year 2021 AD.

The General Assembly of Shareholders (Ordinary)

First meeting	Second meeting	Attendees from the board of directors
11/03/2021	28/06/2021	Saleh bin Abdullah Almunajm - Chairman of the Board of Directors

The General Assembly of Shareholders (Extraordinary)

Meeting Date	Attendees from the board of directors
22/09/2021	Saleh bin Abdullah Almunajm - Chairman of the Board of Directors

The number of Board meetings held during the last financial year, their dates and the attendance record of each meeting listing the names of the attendees

No.	Meeting Date	Attendance statement
1	Tuesday 15/06/2021 AD	The meeting was held in the presence of the Chairman and all members of the Board
2	Tuesday 21/12/2021 AD	The meeting was held in the presence of the Chairman and all members of the Board

Record of Audit Committee meetings during the year 2021 AD

No.	Meeting Date	Attendance statement
1	Monday 12/04/2021	The meeting was held in the presence of the Chairman of the Committee and all members
2	Monday 05/07/2021	The meeting was held in the presence of the Chairman of the Committee and all members
3	Tuesday 14/10/2021	The meeting was held in the presence of the Chairman of the Committee and all members
4	Wednesday 03/11/2021	The meeting was held in the presence of the Chairman of the Committee and all members

Record of the Nomination and Remuneration Committee meetings during the year 2021 AD

No.	Meeting Date	Attendance statement
1	Thursday 08/07/2021	The meeting was held in the presence of the Chairman of the Committee and all members
2	Thursday 16/12/2021	The meeting was held in the presence of the Chairman of the Committee and all members

Statutory payments, Penalties and Sanctions

Statutory payments

Almunajem Foods is committed to pay statutory fees and expenses to Saudi Government organizations as per the required laws and regulations. The following table provides details of payments of fees and charges in 2021 with a brief description:

Statutory Organization	Description	Reason	2021 SR	2020 SR
Saudi Customs	Amounts paid or charged as customs fees on imports & port charges.	Government requirement	187,023,980	187,177,619
General Authority of Zakat and Income Tax	Amounts paid as Zakat, WHT, Income Tax & VAT expenses according to the various laws	Government requirement	366,676,654	205,398,886
General Organization for Social Insurance	Amounts paid or charged as social insurance expenses, in accordance with Saudi Labor Law	Government requirement	5,494,209	5,380,661
Other Statutory Organizations	Amounts paid or charged according to various other laws	Other government requirements	14,841,966	12,370,863
			574,036,809	410,328,029

Penalties and Sanctions

Almunajem Foods company was not charged any penalties or sanctions during 2021 by any supervisory, regulatory, or judicial unit.

Annual Internal Audit Results, Review of Effectiveness of the Internal Control Procedures.

The Audit Committee assumes the responsibility of independent supervision and control of the Company's business and verifies the adequacy and integrity of the Company's financial statements and reports, internal control system, and accounting policies, and supervises the internal audit activity and the work performed by the external auditors in accordance with the Company's articles of association and relevant government regulations.

In the presence of the Committee's members, the external auditor - Ernst & Young (EY) - and the management of the Company, the Committee discussed and reviewed the Company's Financial Statements for Q1, Q2 and Q3 of 2021, obtained a sufficient understanding of the changes in financial results, and oversaw the review reports submitted by the external auditor. The Committee, and after it has ensured the adequacy and integrity of the accounting policies and disclosures, recommended adopting the Company's Financial Statements for Q1, Q2 and Q3 of 2021.

Internal and financial control system and the Committee's opinion:

"Controls and their effectiveness are critical to achieving the Company's objectives, and the management of the Company is responsible for developing a comprehensive and effective internal control system. The internal control system is based on the Company's management's vision and discretion to establish a control system commensurate with the relative importance of financial and other inherent risks in the Company's activities. Therefore, the internal control system is designed to give reasonable assurance to avoid substantial errors and related losses.

Based on the tasks carried out during the Committee's meetings in 2021, the Committee did not find that there were substantial observations regarding the effectiveness of the Company's internal control system and procedures with a significant impact requiring disclosure and the Committee believes that the Company has an internal control system that is reasonably effective in terms of design and application."

— **Suliman Abdul-Rahman Al-Gwaiz**

Chairman of the Audit Committee

Audit Committee's recommendation on the need for appointing an internal auditor for the Company, if there is no internal auditor

The Company has an internal auditor.

Audit Committee's recommendations that conflict with Board resolutions, or those that the Board rejects in relation to the appointment, dismissal, assessment or remuneration of an external auditor, as well as justifications for those recommendations and reasons for rejecting them

During 2021, no incident of conflict between the Audit Committee's recommendations and Board resolutions occurred. The Chairman of the Board of Directors provides continuous guidance to Board members for achieving the objectives of the Company as a team in letter and spirit.

A summary in a form of a table or graph showing the Company's assets, liabilities and results of the last five fiscal years or since the incorporation date, whichever is shorter

	2018	2019	2020	2021
	SR '000	SR '000	SR '000	SR '000
Assets	967,608	1,023,108	1,069,849	1,297,970
Liabilities	489,229	559,407	429,398	493,234
Sales	2,497,345	2,419,060	2,538,454	2,577,024
Net Profit	149,475	109,165	229,679	166,092

Any inconsistencies with the standards approved by the Saudi Organization for Certified Public Accountants

The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants.

A description of any interest, contractual securities or rights issues held by Board members, senior executives and their relatives on Company or any of its Affiliates' shares or debt instruments, and any change to these interests or rights during the last financial year

There were no rights of conversion or initial public offering under convertible debt instruments, or any securities or contractual rights of initial public offering or similar rights issued or granted by the Company.

A description of the class and number of any convertible debt instruments, contractual securities, preemptive rights, or similar rights issued or granted by the Company during the financial year, as well as a statement of any compensation obtained by the Company in this regard

There were no convertible debt instruments, contractual securities, preemptive rights, or similar rights issued or granted by the Company during the year 2021.

A description of any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the Company

There were no conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the Company during the year 2021.

A description of any redemption, purchase or cancellation by the Company of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by the Company and those purchased by its Affiliates

There has been no redemption, purchase or cancellation by the Company of any redeemable debt instruments during the year 2021.

The number of the Company's requests of shareholders registry, dates and reasons thereof

Almunajem Foods received two requests of shareholder's registry during 2021, details of which are as follows:

Request date	Request reason
22/12/2021	Other
19/12/2021	Corporate action

A description of any arrangement or agreement under which a shareholder of the Company has waived any rights to dividends

No shareholder of the Company has waived any rights to dividends in the year 2021.

If the external auditor's report contains reservations on the annual financial statements, the Board's report must highlight them mentioning their reasons and any relevant information

There are no reservations contained under the external auditor's report concerning the annual financial statements for year ended 2021.

If the Board recommends replacing the external auditor before the end of the term for which it is appointed, the report shall indicate this, mentioning the reasons for the replacement recommendation

The Audit Committee reviewed the proposals submitted by the audit firms and recommended the Company's Board of Directors to retain the current external auditor - Ernst & Young (EY) - to carry out the review engagement for the Q1 of 2022 only due to time constraints. Also, the Committee recommended the Company's Board of Directors the nomination of the external auditors KPMG and PWC and to submit the nominated external auditors to the General Assembly to select one of them as a new external auditor to carry out the audit engagement for the fiscal year ended 31 Dec. 2022, and to carry out the review engagements for Q2 and Q3 of 2022 and Q1 of 2023.

Procedures taken by the Board to inform its members, Non-Executive Directors in particular, of shareholders' suggestions and remarks on the Company and its performance

The Company was publicly listed on Tadawul (Saudi Stock Exchange) in Q4 2021. After announcing its first official results post-IPO listing, the Company invited its shareholders, investors and research analysts to a FY 2021 results earnings call on 21 March 2022. The announcement was made on Tadawul. The call was arranged by HSBC. Thamer Abanumay, the CEO of Almunajem Foods Company, hosted the call along with the support of the CFO, Assim AlAttas.

The CEO updated the Board on investors' suggestions and remarks concerning the Company and its performance. This is a routinely scheduled discussion point in all future Board meetings.

The Company established its Investor Relations department during Q1 2022. As a newly listed company, the role is nascent and growing. The priority is to create the function according to recognized international best practice to facilitate effective communication with the Company's investors, whereby the investors can contact the department directly through emails or direct phone calls to share their concerns, questions, and remarks. Also, the Company has established a dedicated helpline and email through which investors can reach our IR department for any queries. In addition, the Company is developing an advanced IR section on its website to include financial statements, investors presentations and dividend policy overview sections.

Where applicable, the means used by the Board to assess its performance, performance of its committees and members, and the external body which conducted the assessment and its relation with the Company, if any

The Company's IPO and successful listing on Tadawul (Saudi Stock Exchange) took place in Q4 2021. All independent directors on the Company's Board of Directors joined the Board in the first quarter of the year 2021 and as such the Company has not conducted assessment for the Board and its Committees for FY 2021. The Company intends, through its Nomination and Remuneration Committee, to assess its performance and the performance of its Committees starting in 2022.

Description (in table format) of any interest in a class of voting shares held by persons (other than the company's directors, Senior Executives and their relatives) who have notified the Company of their holdings pursuant to Article (45) of the Listing Rules, along with any change to such rights during the last fiscal year

The Company has not received notification of any interests belonging to persons other than Board members and senior executives in regards of shares eligible to vote, or a change in those rights during the year 2021. Members of the Board of Directors and the Executive Management disclose their memberships in other companies in accordance with the provisions of the relevant regulations.

Information on any risks facing the Company (operational, financial or market related) and the policy of managing and monitoring these risks

The Company's IPO and successful listing on Tadawul (Saudi Stock Exchange) took place in Q4 2021. All the operational, financial and market related risks has been covered extensively in the prospectus. The company intends to update the risk management section in next year's annual report.

Non-implemented provisions of the Corporate Governance Regulations issued by the Capital Markets Authority (CMA) and justifications therefor:

As the Company was only listed in Q4 2021, it is still in the process of ensuring full compliance with the Corporate Governance Regulations. The following steps have been taken and/or are proposed to be taken in 2022 to ensure full compliance with the CMA's Corporate Governance Regulations :

Article No.	Article	Article Type	Justifications
39	Training	Guiding Article	The Company has its own plan to train its employees in various departments
70	Composition of the risk management committee	Guiding Article	The Board of Directors exercises the tasks of following up the risks on a regular basis; Starting from 2022 AD, risk factors will be discussed in all Board meetings.
83	Regulating the relationship with stakeholders	Guiding Article	It has been stipulated and enforced according to the Company's Bylaws
84	Reporting non-compliant practices	Mandatory Article	Stipulated in the Corporate Governance Manual
85	Employee incentives	Guiding Article	The Company has its own plans with regard to motivating employees. It is worth noting that motivating employees and discussing a mechanism for this falls under the scope of the Board Remuneration and Nominations Committee.
88	Social Work initiatives	Guiding Article	The Company has some initiatives, but it hasn't developed specific programs or benchmarks.
95	Formation of a Corporate Governance Committee	Guiding Article	A guiding article and the Company does not consider it necessary to form a governance committee at this time; The Company will comply with this Article when required.



FINANCIAL STATEMENTS AND AUDITORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021





Ernst & Young Professional Services (Professional LLC)
 Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Almunajem Foods Company (formerly known as Almunajem Cold

(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.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
<p>The Company's revenue for the year ended 31 December 2021 is SR 2,577 million (2020: SR 2,538 million).</p> <p>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.</p> <p>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.</p> <p>The accounting policy for revenue is outlined in Note 4 and a breakdown of revenue is presented in Note 15.</p>	<p>Our audit procedures performed included, among other audit procedures, the following:</p> <ul style="list-style-type: none"> 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.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses in respect of trade receivables	
<p>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.</p> <p>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.</p> <p>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.</p> <p>Refer to notes 4 and 5 for the accounting policy and significant estimates related to provision for expected credit losses and notes 11 and 26.3 for the related disclosures.</p>	<p>Our audit procedures performed included, among other audit procedures, the following:</p> <ul style="list-style-type: none"> Assessed the design, implementation, and operating effectiveness of the key controls over the following: <ul style="list-style-type: none"> 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.

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.

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 2022

Statement of Financial Position

As at 31 December 2021

	Note	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

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	2021 SR	2020 SR
Revenues	15	2,577,023,654	2,538,453,897
Cost of revenues		(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

Assim Mohamed Al Attas
CFO

Thamer Abdulaziz Abanumay
CEO

Saleh Abdullah Almunajem
Chairman

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 shareholders to proposed increase in capital (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

Assim Mohamed Al Attas
CFO

Thamer Abdulaziz Abanumay
CEO

Saleh Abdullah Almunajem
Chairman

Statement of Cash Flows

For the year ended 31 December 2021

	Note	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 operating activities			
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)

Statement of Cash Flows Continued

For the year ended 31 December 2021

	Note	2021 SR	2020 SR
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

Assim Mohamed Al Attas
CFO

Thamer Abdulaziz Abanumay
CEO

Saleh Abdullah Almunajem
Chairman



NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2021

Organization and Activities

Almunajem Foods Company (the "Company") is a publicly listed company on the Saudi Stock Exchange (Tadawul) under stock symbol number 4162, 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 was 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 Partners decided to go for an IPO. Also, the Partners 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 32). 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

The company provides more than 700 SKUs under 5 product categories, which are red and white meats, frozen fruits and vegetables, dairy products, olives and olive oil, and other products under the brand names such as Dari, Montana, Doux, Coopoliva, President and LambWeston.

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").

The Board of Directors confirm the internal control measures and regulations are soundly prepared to establish a written policy that regulates present or potential conflicts of interest, including the misuse of the Company's assets and misfeasance which results from transactions with Related Parties; in addition to safeguarding the security of financial and operational systems, and ensuring the implementation of appropriate supervisory measures to manage potential risks in accordance with Article 22 of the Corporate Governance Regulations.

There are no significant doubts concerning Almunajem Food's ability to continue as a going concern.

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.

Accounting Policies

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:

- it expects to realise the asset, or intends to sell or consume it, in the entity's normal operating cycle.
- it holds the asset primarily for the purpose of trading.
- it expects to realise the asset within twelve months after the reporting date; or
- the asset is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current. A liability is current when:

- it expects to settle the liability in the entity's normal operating cycle.
- it holds the liability primarily for the purpose of trading.
- the liability is due to be settled within twelve months after the reporting date; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date.

The Company classifies all other liabilities as non-current.

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 to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of revenues) is also recognised for the right to recover the goods from the customer.

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 revenues 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.

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.

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.

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
- upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortized 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.

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.

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.

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 filing 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.

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 Saudi Arabian Regulations for Companies, dividends are approved upon approval by the shareholders. The corresponding amount is directly recognized in equity.

Employees' defined benefit obligations

i. 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.

ii. 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 JUDGEMENTS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, 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.

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.

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.

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-time adopter

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.

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 SR	Buildings SR	Plant and equipment SR	Furniture and fixture SR	Computer SR	Motor vehicles SR	Construction work in progress SR	Total 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 a period 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.

Depreciation charge for the year is allocated as follows:

	2021 SR	2020 SR
Cost of revenues	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

	2020 SR
Cost:	
At 1 January 2020	23,503,993
Additions	609,847
At 31 December 2020	24,113,840
Additions	200,549
Write	(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 SR	2020 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 SR	2020 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 SR	2020 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 SR	2020 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 SR	2020 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	-

2021	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	-

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 SR	2020 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 SR	2020 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 SR	2020 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 SR1.4 million (2020: SR nil) pertaining to board of directors remuneration.

15. REVENUES

	2021 SR	2020 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 SR	2020 SR
Timing of revenue recognition		
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 SR	2020 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

	2021 SR	2020 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 revenues.

*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 1 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.

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".

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 SR	2020 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 SR	2020 SR
Timing of revenue recognition		
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 SR	2020 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

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 OTHER

	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).

	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. Combined zakat 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 comprise of the following:

	2021 SR	2020 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	185,493,055
Zakat base	586,663,280
Zakat charge for the year 2.5%	14,666,582

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 before 1 January 2021.

Movement in the zakat provision:

	2021 SR	2020 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 SR	2020 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 SR	2020 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 SR	2020 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 SR	2020 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 SR	2020 SR
Financial assets at amortised cost:		
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

Current Liabilities	Effective Interest rate	Maturity	2021 SR	2020 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.

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 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.

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 SR	<90 SR	90-180 SR	181-365 SR	>365 SR	Total SR
31 December 2021						
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
	SR	SR	SR	SR	SR	SR
31 December 2020						
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	3 months to 1year	1 to 5 years	More than 5 years	Total
	SR	SR	SR	SR	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	3 months to 1year	1 to 5 years	More than 5 years	Total
	SR	SR	SR	SR	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 SR	2020 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:

	Central region SR	Eastern region SR	Western region SR	Total SR
2021				
Revenues	1,160,217,525	519,586,359	897,219,770	2,577,023,654
Cost of revenues	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				
Revenues	1,145,487,688	525,160,570	867,805,639	2,538,453,897
Cost of revenues	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-Ukraine situation does not materially affect the Company, as it has no operating presence in Ukraine 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).

Related Party 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	-

2021	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	-

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 SR	2020 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 SR	2020 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 SR	2020 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 SR1.4 million (2020: SR nil) pertaining to board of directors remuneration.

Details of related parties during 2021

Name of related party	Sales SR	Purchases SR	Expenses SR	PPE purchase SR	PPE disposal	Relation with AMF Explanation about the company
France Poultry	-	475,702,504	-	-	-	France Poultry is an LLC incorporated in France and 100% owned by AAA, the significant shareholder of AMF. Two of AMF's board members, namely Fahad Alfadhly & Abdullah Bawazir are also board members in France Poultry
Al-Kafa'a Real State Company	-	-	755,600	-	-	Al-Kafa'a is an LLC incorporated in Saudi Arabia. Shareholder in AMF and owned by the same significant shareholder of AMF
Abdullah Al Ali Al Munajem Sons Company.	-	-	2,240,611	-	-	Significant shareholder of AMF
Four Steps company			95,306			Marketing company provides marketing services owned by Mohamed Al Routea, a board member

Risk Management

The Company's Management is responsible for improving the effectiveness of the Company's risk management, control and governance processes. It is focused on monitoring all operations, including financial and accounting operations, as well as ensuring that they are in compliance with the various policies, procedures and regulations.

Capitalization and Indebtedness

Prior to the Offering, the Current Shareholders owned the entire share capital of the Company and, following the completion of the Offering, the Current Shareholders will collectively own 70% of the share capital of the Company. The table below sets out the capitalization of the Company as derived from the audited financial statements for the financial years ended 31 December 2018G, 2019G, 2020G and 2021G. The following table should be read in conjunction with the relevant Financial Statements, including the notes thereto, which are set out in Section 20 ("Financial Statements and Auditors' Reports").

	31 December 2018 SR	31 December 2019 SR	31 December 2020 SR	31 December 2021 SR
Total Loans and Lease	160,000,000	211,456,792	176,861,410	50,102,840
Equity				
Share capital	150,000,000	150,000,000	150,000,000	600,000,000
Proposed capital increase	-	-	450,000,000	-
Statutory reserve	75,000,000	75,000,000	22,967,876	39,577,074
Actuarial valuation reserve	2,341,455	(1,500,754)	(3,739,413)	(5,545,632)
Retained Earnings	251,037,623	240,202,303	21,222,480	170,705,262
Total Equity	478,379,078	463,701,549	640,450,943	804,736,704
Total Capitalization (Total loans + Total Equity)	638,379,078	675,158,341	817,312,353	854,839,544
Total Debt/ Total Capitalization	25.1%	31.3%	21.6%	5.9%

The Directors confirm that:

- As of December 31, 2021, none of the Company's share capital is under option.
- As of December 31, 2021 the Company does not have any debt instruments.
- There were no rights of conversion or initial public offering under convertible debt instruments or any securities or contractual rights of initial public offering or similar rights issued or granted by Almunajem.
- They believe that its existing cash balances and cash flows will be sufficient to meet its anticipated cash needs for working capital and capital expenditure for at least 12 months, subject to no material adverse change affecting the Company's business.

Dividend Policy

Under Article 110 of the Companies Law, a Shareholder is vested with all rights attached to Shares, which include in particular the right to receive a share in the dividends declared for distribution. The Board of Directors shall recommend declaring and paying any dividends before approval by the Shareholders at the meeting of the General Assembly. The Company is under no obligation to declare dividends and any decision to do so will depend on, amongst other things, the Company's historic and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions, the Company's Zakat position, and legal and regulatory considerations. Despite the Company's intention to distribute annual dividends to its shareholders, there are no guarantees that such dividends will be actually distributed, nor is there any guarantee regarding the amounts of dividends paid in any year. Dividend distribution is also subject to the restrictions set out in Article 47 of the Company's bylaws. Dividends shall be distributed in Saudi Riyals.

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- 10% of the net profits shall be set aside to form the Company's statutory reserve and the

Ordinary General Assembly may discontinue said deductions when the statutory reserve amounts to 30% of the Company's share capital.

- The Company may, upon recommendation of the Board of Directors, and subject to the approval of the Ordinary

General Assembly, set aside a percentage of the annual net profits to form an additional reserve to be allocated for the purpose of supporting the financial position of the Company.

- The Ordinary General Assembly may resolve to set aside other reserves, to the extent that doing so serves the interest of the Company or ensures the distribution of as stable a dividend as possible to shareholders. Said Assembly may also deduct from the net profits amounts for the establishment of social institutions for the Company's employees or to help existing institutions.
- The Ordinary General Assembly may distribute the remainder among the Shareholders. The dividend distribution policy may change from time to time, as the Board of Directors may resolve, subject to the approval of the Ordinary General Assembly, to renew annually the payment of periodic dividends to the Company's shareholders on a semi-annual or quarterly basis, in accordance with the controls of the competent authority .

In light of the above Dividend Distribution Policy, Almunajem Foods Company's Board in its meeting on 27 March 2022, and in light of the achieved net profit amounted to SAR 166.1 million for the year 2021, recommended the distribution of SAR 120 million (i.e. SAR 2 per share) as cash dividends for the year 2021, which represents 20% of the Company's nominal share value. The maturity date for these cash dividends will be for all shareholders who are registered in Tadawul at the end of the second trading day following the day of the Annual General Assembly Meeting (AGM) which will be fixed after securing the formal approval from the relevant official authorities, and accordingly, the said AGM will ratify the above Board's recommendation. The dividends will be paid after the approval of the AGM and will be deposited in the shareholders' accounts as will be detailed in the announcement, which will be published on Tadawul at a later date.

The following is a summary of cash dividends declared and distributed by the Company during the years ended 31 December 2018G, 2019G, 2020G and 2021G, respectively:

	31 December 2018	31 December 2019	31 December 2020	31 December 2021
	SR	SR	SR	SR
Declared Dividends	206,087,151	120,000,000	158,276,809	-
Dividends paid for the Year	206,087,151	120,000,000	158,276,809	-
Net Profit for the period	149,474,627	109,164,680	229,678,761	166,091,980
Percentage of declared dividends to the Company's net income	137.87%	109.93%	68.91%	-

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