Almunajem Foods Company Prospectus

Receiving Agents

Financial Advisor, Lead Manager, Bookrunner and Underwriter

A Saudi joint stock company established under commercial registration no. 1010231822 dated 07/04/1428H (corresponding to 24 April 2007G) pursuant to ministerial resolution no. 196, dated 25/06/1442H (corresponding to 07/02/2021G).

Offering of eighteen million (18,000,000) Shares representing 30% of the Company's share capital through a public offering at an Offer Price of SAR [•] per Share.

Offering Period: two (2) days starting from Sunday 1 Jumada Al Awal 1443H (corresponding to 5 December 2021G) and ending on Monday 2 Jumada Al Awal 1443H (corresponding to 6 December 2021G)

Almunajem Foods Company (hereinafter referred to as the "**Company**" or the "**Issuer**") is a Saudi joint stock company established under commercial registration no. 1010231822 dated 07/04/1428H (corresponding to 24 April 2007G) pursuant to ministerial resolution no. 196, dated 25/06/1442H (corresponding to 07/02/2021G). The current share capital of the Company is six hundred million Saudi Riyals (SAR 600,000,000) divided into sixty million (60,000,000) ordinary shares with a fully paid-up nominal value of SAR 10 per share (the "**Shares**", and each a "**Share**").

The Company's journey started in 1950G, when Abdullah Ali Almunajem established a foodstuff sole proprietorship in Riyadh under its first commercial registration no. 565 dated 11/11/1376H (corresponding to 09/06/1957G). Following the demise of the founder, the Company's legal form was changed in 1982G into the Abdullah Ali Almunajem Sons Company, owned by Ali Abdullah Almunajem, Abdulaziz Abdullah Almunajem, Saleh Abdullah Almunajem, Abdulrahman Abdullah Almunajem, Ahmed Abdullah Almunajem, Ibrahim Abdullah Almunajem, Yousef Abdullah Almunajem, and Fahad Abdullah Almunajem.

On 07/04/1428H (corresponding to 24/04/2007G), the shareholders of Abdullah Ali Almunajem Sons Company established the Company as a Saudi limited liability company under commercial registration no. 1010231822, with the name of Almunajem Cold Stores Company. The then-current share capital of the Company was one hundred and fifty million Saudi Riyal (SAR 150,000,000) divided into one hundred and fifty thousand (150,000) fully paid cash shares with a value of (SAR 1,000) per share; while Abdullah Ali Almunajem Sons Company continued to undertake its other commercial and investment activities.

On 04/04/1431H (corresponding to 20/03/2010G), Ali Abdullah Almunajem, Abdulaziz Abdullah Almunajem, Saleh Abdullah Almunajem, Abdulrahman Abdullah Almunajem Ahmed Abdullah Almunajem, Ibrahim Abdullah Almunajem sold all their shares to Abdullah Ali Almunajem Sons Company. Similarly, Yousef Abdullah Almunajem and Fahad Abdullah Almunajem sold all their shares to Al-Kafaa Real Estate Company. Thus, the sole shareholders in the Company were Abdullah Al Munajem Sons Company and Al-Kafaa Real Estate Company.

Pursuant to the shareholders resolution dated 25/06/1442H (corresponding to 07/02/2021G), the Company was converted from a limited liability company to a (closed) joint stock company, and all procedures, including the amendment of the commercial registration, were completed on 16/06/1442H (corresponding to 28/02/2021G). The Company's name was also changed from "Almunajem Cold Stores" to "Almunajem Foods". The Company's capital was increased from one hundred and fifty million Saudi Riyals (SAR 150,000,000) to six hundred million Saudi Riyals (SAR 600,000,000) through the transfer of one hundred seven million five hundred and eighty-six thousand one hundred and one Saudi Riyals (SAR 107,586,101) from the shareholder's accounts, and capitalization of seventy five million Saudi Riyals (SAR 75,000,000) from the statutory reserve account and two hundred sixty-seven million four hundred thirteen thousand eight hundred and ninety-nine (Saudi Riyals 267,413,899) from the retained earnings account (for further information, please refer to Section 4.5 ("**Overview of the Company and Evolution of its Capital**")).

The initial public offering (the "**Offering**") consists of the sale of eighteen million (18,000,000) ordinary shares (collectively, the "**Offer Shares**", and each an "**Offer Share**"), which represent thirty percent (30%) of the share capital of the Company, with a paid-up nominal value of (SAR 10) per ordinary share, at an offer price of Saudi Riyals (SAR [•]) (the "**Offer Price**").

The Offering shall be restricted to the following groups of investors (hereinafter referred to as the "**Investors**"):

Tranche (A): Participating Parties: This tranche comprises investors eligible to participate in the book-building process in accordance with the Book-Building Instructions (as defined herein), (collectively, the "Participating Parties" and each a "Participating Party") (for further details, please refer to Section 1 ("**Definitions and Abbreviations**")). The number of Offer Shares to be initially allocated to Participating Parties is eighteen million (18,000,000) ordinary Shares representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors (as defined in Tranche (B)) for the Offer Shares, the Bookrunner has the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of (16,200,000) Ordinary Shares, representing 90% of the total Offer Shares. The Financial Advisor, in coordination with the Company and the Selling Shareholders (each as defined in this Prospectus), shall determine the number and percentage of Offer Shares to be allocated to Participating Parties..

Tranche (B): Individual Investors: This tranche includes Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as any non-Saudi natural person resident in the Kingdom or any national of countries of the Cooperation Council for the Arab States of the Gulf (the "**GCC**"), in each case who has a bank account with one of the Receiving Agents and having the right to open an investment account with a Capital Market Institution (as defined in this Prospectus) (collectively, the "**Individual Investors**", and each an "**Individual Investor**"). Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of one million eight hundred thousand (1,800,000) ordinary Shares representing ten percent (10%) of the Offer Shares shall be allocated to Individual Investors. In the event that the Individual Investors do not subscribe in full for the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for by them.

The current shareholders of the Company (hereinafter referred to as "**Current Shareholders**") own all the Company's Shares prior to the Offering. All Offer Shares will be sold by the selling shareholders (hereinafter referred to as the "**Selling Shareholders**") in accordance with Table 12-1 ("**Ownership Structure of the Company**"). The Current Shareholders, whose names appear on page 1 of this Prospectus and who collectively own the entirety of the Shares prior to the Offering, shall own seventy percent (70%) of the Company's share capital following the Offering and will continue to hold the controlling interest in the Company. (For further information, please refer to Table 4-3 ("**Company's ownership structure as at the date of this Prospectus**")).

The Substantial Shareholder, whose name appears on page x of this Prospectus, will be prohibited from disposing of or pledging its Shares, in each case during the six-month period (the "**Lock-up Period**") starting from the commencement of trading of the Shares on the Saudi Exchange (the "**Exchange**" or the "**Capital Market**"). Following the Lock-up Period, the Substantial Shareholder, Abdullah Ali Almunajem Sons Company, will be free to dispose of its Shares. The Offering proceeds shall be distributed to the Selling Shareholders after deduction of the Offering expenses (hereinafter referred to as the "**Net Offering Proceeds**"). The Company shall not receive any part of the Offering Proceeds (for further details, please refer to Section 8 ("**Use of Proceeds**")). The Underwriter shall fully underwrite the Offering (for further information, please refer to Section 13 ("**Underwriting**")).

The Offering will commence on Sunday 1 Jumada Al Awal 1443H (corresponding to 5 December 2021 G) and will remain open for a period of two (2) days up to and including Monday 2 Jumada Al Awal 1443H (corresponding to 6 December 2021G) (hereinafter referred to as the "**Offering Period**"). Subscription Applications may be submitted to the receiving agents (the "**Receiving Agents**") listed on page viii during the Offering Period (for further details, please refer to page xiv ("**Key Dates and Subscription Procedures**")). Individual Investors can subscribe to the Offer Shares through the Receiving Agents during the Offering Period, and Participating Parties can subscribe to the Offer Shares through the Bookrunner (defined in Section 1 ("**Definitions and Abbreviations**")) during the book running process taking place prior to the Offering to Individual Investors.

Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of ten (10) Offer Shares. The maximum number of Offer Shares that can be subscribed for is three hundred thousand (300,000) ordinary Shares per Individual Investor. The balance of the Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Individual Investor. In the event that the number of Individual Investors exceeds one hundred and eighty thousand (180,000), the Company will not guarantee the minimum allocation of Offer Shares, and the allocation will be made as determined by the Company and Financial Advisor Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the relevant Receiving Agent. Notification of the final allocation will be made at the latest by Saturday 7 Jumada Al Awal 1443H (corresponding to 11 December 2021G) and refund of subscription monies, if any, will be made at the latest by Monday 9 Jumada Al Awal 1443H (corresponding to 13 December 2021G) (for further details, please refer to "**Key Dates and Subscription Procedures**" on page viii and Section 18 ("**Subscription Terms and Conditions**")).

The Company has one class of ordinary Shares. Each Share entitles its holder to one vote, and each shareholder (a "**Shareholder**"), regardless of the number of Shares held, has the right to attend and vote at general assembly meetings of the Company (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights. The Offer Shares will entitle holders to receive dividends declared and paid by the Company as at the date of this prospectus ("**Prospectus**") and for subsequent fiscal years (for more information, please refer to Section 7 ("**Dividend Distribution Policy**")).

Prior to the Offering, there has been no public market for the Shares in the KSA or elsewhere. Applications have been submitted by the Company to (i) the Capital Market Authority (referred to as the "CMA") for the registration and offering of the Shares, and (ii) the Exchange for the listing of the Shares. All relevant regulatory and corporate approvals required from the CMA and the Exchange to conduct the Offering have been granted, including approvals pertaining to the publication of this Prospectus and all supporting documents have been submitted to the CMA. It is expected that trading in the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares and satisfaction of necessary conditions and procedures (for further details, please refer to "**Key Dates and Subscription Procedures**" on page xiv).

Following the registration and listing of the Shares on the Exchange, Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, and companies, banks, and investment funds established in the Kingdom or in countries of the GCC countries as well as GCC nationals will be permitted to trade in the Shares after trading therein starts on the Exchange. Qualified Foreign Investors will be permitted to trade in the Shares pursuant to the CMA Rules for Qualified Foreign Financial Institutions Investment in Listed Securities. Non-Saudi individuals living outside the Kingdom and institutions registered outside the Kingdom (hereinafter referred to as "**Foreign Investors**") will have the right to acquire an economic benefit in the Shares by entering into Swap Agreements with a Capital Market Institution to purchase Shares listed on the Exchange and to trade these Shares for the benefit of Foreign Investors. The Capital Market Institutions will remain as legal owners of the Shares subject to the Swap Agreements.

An investment in the Offer Shares involves certain risks and uncertainties. For a discussion of certain factors to be considered in connection with an investment in the Offer Shares, please refer to "**Important Notice**" on page i and Section 2 ("**Risk Factors**"), which should be carefully considered prior to making a decision to invest in the Offer Shares.

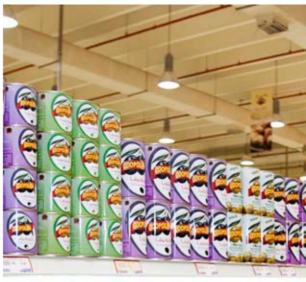
This Prospectus includes information for the application for registration and offer of securities given in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority (the "Authority") and the application for listing securities in compliance with the Listing Rules of the Saudi Stock Exchange. The directors, whose names appear on page iv collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Exchange do not take any responsibility for the contents of this prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is dated 21/02/1443H (corresponding to 28/09/2021G).

This Red Herring prospectus will be made available to Participating Parties participating in the Book-building process, and does not include the Offer Price. The final version of this Prospectus which will include the Offer Price shall be published after the completion of the Book-building process and the determination of the Offer Price.

This Prospectus is an unofficial English translation of the official Arabic Prospectus and is provided for information purpose only. The Arabic Prospectus Published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two languages.

المنجم
ALMUNAJEM
Foods للأغذية



IMPORTANT NOTICE

This Prospectus contains detailed information relating to the Company and the Offer Shares. When submitting an application for the Offer Shares, investors, whether Participating Parties or Individual Investors, will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, the Lead Manager, the Receiving Agents or by visiting the websites of the CMA (www.cma.org.sa), the Saudi Exchange (www.saudiexchange.sa), the Company (www.almunajemfoods.com), or the Financial Advisor and the Lead Manager (www.hsbcsaudi.com).

In respect to the Offering, the Company has appointed HSBC Saudi Arabia as financial advisor (hereinafter referred to as the "**Financial Advisor**"), underwriter (hereinafter referred to as the "**Underwriter**") and lead manager (hereinafter referred to as the "**Lead Manager**"), and bookrunner (the "**Bookrunner**").

This Prospectus includes information provided in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA, in addition to the Listing Rules issued by the Saudi Exchange. The directors, whose names appear on page iv, collectively and individually, accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date of its publication, a substantial portion of the information in this Prospectus relevant to the markets and industry in which the Company operates is derived from external sources. While none of the Company, the Financial Advisor, nor any of the Company's other advisors whose names appear on pages vi and vii and vii of this Prospectus (the "**Advisors**"), have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information. Accordingly, no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial position of the Company and the value of the Offer Shares may be adversely affected by future developments, such as inflation, interest rates, taxation or other economic, political and any other factors, over which the Company has no control (for further details, please refer to Section 2 ("**Risk Factors**")). Neither the delivery of this Prospectus nor any oral or written information in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way, as a promise, affirmation or representation as to future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, the directors, the Selling Shareholders, the Receiving Agents or the Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs of prospective investors. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA licensed financial advisor in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual investment objectives, financial situation and needs, including the merits and risks involved in investing in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others, and prospective investors should not rely on another party's decision to invest or not to invest as a basis for their own examination of the investment opportunity and such investor's individual circumstances.

The Offering is restricted to two groups of investors which are: (A) Participating Parties: this comprises the parties entitled to participate in the book-building process in accordance with the Book-Building Instructions (for further details, please see Section 1 ("**Definitions and Abbreviations**") of this Prospectus); (B) Individual Investors: this includes Saudi natural persons, including Saudi women who are divorced or widowed and have minor children by a non-Saudi husband, who may subscribe for Offer Shares in their name(s) for the mothers' own benefit, provided she submits proof of their marital status and motherhood, as well as any non-Saudi natural persons resident in the Kingdom or GCC nationals, in each case having a bank account with one of the Receiving Agents and having the right to open an investment account with a Capital Market Institution. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

It is expressly prohibited to distribute this Prospectus or to sell the Offer Shares to any person outside the Kingdom of Saudi Arabia, other than to Qualified Foreign Investors, certain other foreign investors pursuant to Swap Agreements entered into with a Capital Market Institution, in each case subject to applicable rules and regulations. All recipients of this Prospectus must inform themselves of any legal or regulatory restrictions relevant to this Offering and the sale of the Offer Shares and to observe all such restrictions. Each eligible Individual Investor and Participating Party should read the entire Prospectus and seek and rely on their own counsel, financial advisors and other professional advisors for advice concerning the various legal, tax, regulatory and economic considerations relating to their investment in the Offer Shares and will be responsible for the fees of their own counsel, accountants and other advisors as to all matters concerning an investment in the Offer Shares. No assurance can be made that profits will be achieved.

MARKET AND INDUSTRY DATA

The information in Section 3 (“**Market Overview**”) is derived from the market study report dated 31/01/2021 prepared by the market study and strategy consultant, Arthur D. Little Saudi Arabia (the “**Market and Strategy Consultant**”) for the benefit of the Company, in relation to the food and beverage (“F&B”) sector in the Kingdom of Saudi Arabia (the “**Market Study**”).

The Market and Strategy Consultant has prepared the Market Study independently and objectively, ensuring the accuracy and completeness of the report. Research was conducted with a broad sector perspective, which may not necessarily reflect the performance of individual companies in the sector.

The directors believe that the Market Study information and data from other sources contained in this Prospectus, including that provided by the Market and Strategy Consultant, is reliable. However, this information and data has not been independently verified by the Company, the directors, the Advisors, nor the Selling Shareholders, and therefore none of the aforementioned bears any liability for the accuracy or completeness of said information.

The Market and Strategy Consultant does not, nor do any of its subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives own any Shares or any interest of any kind in the Company. As at the date of this Prospectus, the Market and Strategy Consultant has given and not withdrawn its written consent for the use of its name, logo, the information, and market research supplied by it to the Company in the manner and format set out in this Prospectus.

FINANCIAL INFORMATION

The following financial statements are attached to this Prospectus: the financial statements of the Company for the financial years ended 31 December 2018G, 31 December 2019G, and 31 December 2020G, and the financial period ended 31 March 2021G, together with the notes thereto, in each case prepared in accordance with the International Financial Reporting Standards (“**IFRS**”) that are endorsed in the Kingdom of Saudi Arabia and other accounting standards accepted in the Kingdom issued by the Saudi Organization for Certified Public Accountants (“**SOCPA**”).

The financial information contained in this Prospectus is subject to rounding. Accordingly, the figures shown for the same item presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them. In cases where the amounts included in this Prospectus were converted from a foreign currency into Saudi Riyal, the Saudi Riyal exchange rate against the relevant currency is the one in effect as at the date hereof. Throughout this Prospectus, Hijri dates are presented along with corresponding Gregorian dates, where relevant. The Hijri calendar is prepared on the basis of the anticipated lunar cycles. However, an actual sighting of the moon is used to determine the beginning of each month, as a result of which conversions from the Hijri to Gregorian calendars are often subject to discrepancies of one day. In addition, unless otherwise expressly stated in this Prospectus, any reference to “year” or “years” means Gregorian years.

FORECASTS AND FORWARD-LOOKING DATA

Forecasts set forth in this Prospectus have been prepared on the basis of assumptions relating to the Company's business information as derived from its market experience, as well as on publicly available market information. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that, to the best of its knowledge, statements have been made hereunder following the required due diligence.

Certain statements in this Prospectus constitute, or may be deemed to constitute, "forward-looking statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative thereof or other variations of such terms or comparable terminology.

These forward-looking statements reflect the current views of the Company with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (for further details, please refer to Section 2 ("**Risk Factors**")). Should any of these risks or uncertainties materialize or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the OSCOs, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus, and before the end of the Offering, the Company becomes aware that:

i. there has been a significant change in any material information contained in this Prospectus or any document required by the OSCOs; or

ii. significant additional issues have arisen whose inclusion in this Prospectus would have been necessary.

With the exception of these two cases, the Company does not intend to update or change any sector or market information or the forward-looking-statements included in this Prospectus, whether as a result of new information, future events or otherwise. As a result, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Therefore, investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

DEFINITIONS AND ABBREVIATIONS

For further details on the terms used in this Prospectus, please see Section 1 ("**Definitions and Abbreviations**").

CORPORATE DIRECTORY

The Company's Board of Directors

Table (1-1): Members of the Company's Board of Directors

No.	Name	Position	Nationality	Status	Date of Appointment	Direct Ownership		Indirect Ownership	
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Saleh Abdullah Ali Almunajem*	Chairman	Saudi	Non-Executive	15/02/2021G	n/a	n/a	14%	9.8%
2	Suliman Abdulrahman Abdullah Al-Guwaiz*	Vice Chairman	Saudi	Independent	15/02/2021G	n/a	n/a	n/a	n/a
3	Fahad Abdulmohsen Abdulrahman AlFadley*	Managing Director	Saudi	Executive	15/02/2021G	n/a	n/a	n/a	n/a
4	Hasan Shakib Murad AlJabri	Director	Saudi	Independent	15/02/2021G	n/a	n/a	n/a	n/a
5	Abdullah Omar Abdullah Bawazir	Director	Yemeni	Non-executive	15/02/2021G	n/a	n/a	n/a	n/a
6	Mohammad Ibrahim AlRowette	Director	Saudi	Non-Executive	15/02/2021G	n/a	n/a	n/a	n/a

Source: The Company.

* All Board members were appointed by the Conversion General Assembly meeting dated 15/02/2021G; these members were appointed in their positions pursuant to Board Resolution no.1 dated 22/02/2021G.

The current Secretary of the Board of Directors is Ghaith Shuail Saleh AlOtaibi and does not hold any Shares in the Company.

THE COMPANY'S ADDRESS, REPRESENTATIVES AND BOARD OF DIRECTORS' SECRETARY

Almunajem Foods Company
P.O. Box 1544
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Company Representatives

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Fahad Abdulmohsen Abdulrahman AlFadley
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Board Secretary

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Stock Exchange

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Email: csc@saudiexchange.sa

Financial Advisor, Lead Manager, Bookrunner, and Underwriter

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Email: hbsaibaraspberry@hsbcsa.com

Legal Advisor of the Issuer

Legal Advisors
Abdul Aziz AlAjlan & Co., Attorneys and Legal Advisors
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Legal Advisor to the Financial Advisor, Lead Manager, Bookrunner, and Underwriter

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Email: info@khoshaim.com

Financial Due Diligence Advisor

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Fax: +966 (11) 211 0401
Website: www.pwc.com/middle-east
Email: mer_project_raspberry@pwc.com

Market Study Consultant

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Fax: +966 (11) 293 0490
Website: www.adlittle.com.sa
Email: gm_ksa@adlittle.com

Independent Auditor

Ernst & Young & Co. (Certified Public Accountants)
Al Faisaliah Office Tower
P.O. Box: 2732
Riyadh 11461
Kingdom of Saudi Arabia
Tel: +966 (11) 273 4740/ +966 (11) 215 9898
Fax: +966 (11) 273 4730
Website: www.ey.com
Email: Riyadh@sa.ey.com

Note:

All the above-mentioned Advisors and Independent Auditor have given and have not withdrawn their written consent, until the date hereof, to the publication of their names, logos and statements attributed to them in the context in which they appear in this Prospectus, and do not themselves, their employees, or any of their relatives have any shareholding or interest of any kind in the Company as at the date of this Prospectus, which may affect their independence.

Receiving Agents

Saudi British Bank (SABB) Prince Abdulaziz Ibn Musaid Ibn Jalawi St, Al Murabba P.O. Box 9084 Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 (11) 440 8440 Fax: +966 (11) 276 3414 Website: www.sabb.com Email: sabb@sabb.com	SABB ساب
Saudi National Bank King Fahd Road - Al-Aqiq District - King Abdullah Financial District P.O. Box: 3208 Unit Number: 778 Riyadh 13519 – 6676 Kingdom of Saudi Arabia Tel: +966 (92) 000 1000 Fax: +966 (12) 343 7426 Website: www.alahli.com Email: contactus@alahli.com	SNB
Al Rajhi Bank King Fahd Road - Al-Morouj District - Al-Rajhi Bank Tower Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 (11) 828 2515 Fax: +966 (11) 279 8190 Website: www.alrajhibank.com.sa Email: contactcenter1@alrajhibank.com.sa	Al Rajhi Bank مصرف الراجحي

SUMMARY OF THE OFFERING

This Summary is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, it is important to carefully consider the "**Important Notice**" on page i, Section 2 ("**Risk Factors**"), as well as all information set forth herein prior to making any investment decision in the Offer Shares, and said decision should not be solely based on this Summary.

Company Name, Description and Incorporation	The Company's journey started in 1950G, when Abdullah Ali Almunajem established a foodstuff sole proprietorship in Riyadh under its first commercial registration no. 565 dated 11/11/1376H (corresponding to 09/06/1957G). Following the demise of the founder, the Company's legal form was changed in 1982G into the Abdullah Ali Almunajem Sons Company, owned by Ali Abdullah Almunajem, Abdulaziz Abdullah Almunajem, Saleh Abdullah Almunajem, Abdulrahman Abdullah Almunajem, Ahmed Abdullah Almunajem, Ibrahim Abdullah Almunajem, Yousef Abdullah Almunajem, and Fahad Abdullah Almunajem. On 07/04/1428H (corresponding to 24/04/2007G), the shareholders of Abdullah Ali Almunajem Sons Company established the Company as a Saudi limited liability company under commercial registration no. 1010231822, with the name of Almunajem Cold Stores Company. The then-current share capital of the Company was one hundred and fifty million Saudi Riyal (SAR 150,000,000) divided into one hundred and fifty thousand (150,000) cash shares with a value of SAR 1,000 per share; while Abdullah Ali Almunajem Sons Company continued to undertake its other commercial and investment activities On 04/04/1431H (corresponding to 20/03/2010G), Ali Abdullah Almunajem, Abdulaziz Abdullah Almunajem, Saleh Abdullah Almunajem, Abdulrahman Abdullah Almunajem Ahmed Abdullah Almunajem, Ibrahim Abdullah Almunajem sold all their shares to Abdullah Ali Almunajem Sons Company. Similarly, Yousef Abdullah Almunajem and Fahad Abdullah Almunajem sold all their shares to Al-Kafaa Real Estate Company. Thus, the sole shareholders in the Company were Abdullah Almunajem Sons Company and Al-Kafaa Real Estate Company. Pursuant to the shareholders resolution dated 25/06/1442H (corresponding to 07/02/2021G), the Company was converted from a limited liability company to a (closed) joint stock company, and all procedures, including the amendment of the commercial registration, were completed on 16/06/1442H (corresponding to 28/02/2021G(. The Company's name was also changed from "Almunajem Cold Stores" to "Almunajem Foods". The Company's capital was increased from one hundred and fifty million Saudi Riyals (SAR 150,000,000) to six hundred million Saudi Riyals (SAR 600,000,000) through the transfer of one hundred seven million five hundred and eighty-six thousand one hundred and one Saudi Riyals (SAR 107,586,101) from the shareholder's accounts, and capitalization of seventy five million Saudi Riyals (SAR 75,000,000) from the statutory reserve account and two hundred sixty-seven million four hundred thirteen thousand eight hundred and ninety-nine (Saudi Riyals 267,413,899) from the retained earnings account (for further information, please refer to Section 4.5 ("**Overview of the Company and Evolution of its Capital**")).
Company's Activities	In accordance with the Bylaws, the Company's activities consist of the following: • Wholesale of food and beverages. • Retail sale of food in specialized stores. • Retail sale in non-specialized stores with food and beverages predominating • Retail sale via mail order houses or via Internet. • Wholesale on a fee or contract basis • Other retail sale of new goods in specialized stores • Wholesale of agricultural raw materials and live animals • Meat keeping and processing • Processing and keeping fish, crustaceans and Mollusca • Processing and keeping fruits and vegetables • Other food service activities. • Storage. • Freight transport by road. • General cleaning of buildings.

Number of Shares held by the Substantial Shareholder Pre- and Post-Offering	The following table sets out the name as well as pre-Offering and post-Offering ownership percentages of Substantial Shareholder.

Table (1-2): Overview of Substantial Shareholder of the Company Pre- and PostOffering

Shareholder's Name	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	No. of Shares	Direct Ownership	Par Value (SAR)	No. of Shares	Direct Ownership	Par Value (SAR)
Abdullah Ali Almunajem Sons Company	59,400,000	99%	594,000,000	41,580,000	69.3%	415,800,000
Total	59,400,000	99%	594,000,000	41,580,000	69.3%	415,800,000

Company's Capital	Six hundred million Saudi Riyals (SAR 600,000,000).
Total Number of Issued Shares	Sixty million (60,000,000) Shares.
Offering	Initial public offering of eighteen million (18,000,000) Offer Shares, representing 30.0% of the Company's share capital, at an Offer Price of SAR [•] per Offer Share, with a fully paid nominal value of ten Saudi Riyals (SAR 10) per Share.
Total Number of Offer Shares	Eighteen million (18,000,000) fully paid Shares.
Nominal value per Share	Ten Saudi Riyals (SAR 10) per Share.
Percentage of Offer Shares to the total number of issued Shares	The Offer Shares represent 30% of the Company's Share Capital.
Offer Price	SAR [•] per Share.
Total value of Offer Shares	SAR [•].
Use of Proceeds	The Net Proceeds from the Offering amounting to approximately SAR [•] (after deducting the Offering expenses estimated at SAR [•]) will be distributed to the Selling Shareholders based on each Selling Shareholder's percentage ownership in the Offer Shares. The Company will not receive any part of the Net Proceeds from the Offering (for further details, please refer to Section 8 ("**Use of Proceeds**")).
Number of Shares Underwritten	Eighteen million (18,000,000) ordinary Shares.
Total Underwritten Offering Amount	SAR [•].
Categories of Targeted Investors	Subscription for the Offer Shares is restricted to the following groups of investors: **Tranche (A): Participating Parties:** This tranche comprises investors eligible to participate in the book-building process in accordance with the Book-Building Instructions. The number of Offer Shares to be initially allocated to Participating Parties is (18,000,000) Shares representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors (as defined in Tranche (B) below) for the Offer Shares, then the Bookrunner has the right to reduce the number of Shares allocated to Participating Parties to a minimum of (16,200,000) ordinary Shares, representing 90% of the total Offer Shares. **Tranche (B): Individual Investors:** This tranche includes Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as any non-Saudi natural person resident in the Kingdom or any GCC national, in each case having a bank account with one of the Receiving Agents and having the right to open an investment account with a Capital Market Institution. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, then the relevant regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of one million eight hundred thousand (1,800,000) ordinary Shares representing ten percent (10%) of the Offer Shares shall be allocated to Individual Investors. In the event that Individual Investors do not subscribe in full for the Offer Shares allocated to them, then the Bookrunner may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for by them.

Total Offer Shares available for each Targeted Investor Category	
Number of Shares offered to Participating Parties	Eighteen million (18,000,000) ordinary Shares representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors, the Bookrunner may decide to reduce the number of Shares allocated to Participating Parties to a minimum of sixteen million two hundred thousand (16,200,000) Shares, representing 90% of the total Offer Shares. The Financial Advisor, in coordination with the Company and the Selling Shareholders, shall determine the number and percentage of Offer Shares to be allocated to Participating Parties, using the discretionary allocation mechanism
Number of Shares offered to Individual Investors	A maximum of one million eight hundred thousand (1,800,000) Offer Shares, representing ten percent (10%) of the total Offer Shares. In the event that Individual Investors do not subscribe in full for the Offer Shares allocated to them, the Bookrunner may reduce the number of Offer Shares allocated thereto in proportion to the number of Offer Shares subscribed for by them.
Subscription Method for each Targeted Investor Category	
Subscription Method for Participating Parties	Participating Parties are entitled to apply for subscription, and the Lead Manager will provide application forms to the Participating Party investors during the Book-Building Period. After the initial allocation, the Lead Manager will provide Participating Parties with Subscription Application Forms, which they must fill out in accordance with the instructions described in Section 18 ("**Subscription Terms and Conditions**").
Subscription method for Individual Investors	Retail Subscription Forms will be available for Individual Investors during the Offering Period at all Receiving Agents' branches. Retail Subscription Forms must be completed in accordance with the instructions described in Section 18 ("**Subscription Terms and Conditions**"). Individual Investors who have participated in recent initial public offerings in the Kingdom can also subscribe through the internet, telephone banking or automated teller machines ("**ATMs**") of the Receiving Agents that offer any or all such services to their customers, provided that the following requirements are satisfied: (i) the Investor must have a bank account at a Receiving Agent which offers such services, and (ii) there have been no changes in the personal information or data of the Individual Investor since such person's subscription to the last initial public offering.
Minimum Number of Offer Shares to be Applied for by each Category of Targeted Investors	
Minimum Number of Offer Shares to be Applied for by Participating Parties	One hundred thousand (100,000) Shares.
Minimum Number of Offer Shares to be Applied for by Individual Investors	Ten (10) Shares.
Minimum Subscription Amount by each Category of Targeted Investors	
Minimum Subscription Amount for Participating Parties	SAR [•].
Minimum Subscription Amount for Individual Investors	SAR [•].
Maximum Number of Offer Shares to be Applied for by each Category of Targeted Investors	
Maximum Number of Offer Shares to be Applied for by Participating Parties	Two million nine hundred and ninety nine thousand nine hundred and ninety nine (2,999,999) Shares for Public Funds only, not to exceed the maximum limit for each Participating Public Fund as determined in accordance with the Book Building Instructions.
Maximum Number of Offer Shares to be Applied for by Individual Investors	Three hundred thousand (300,000) Shares.
Maximum Subscription Amount by each Category of Targeted Investors	
Maximum Subscription Amount for Participating Parties	SAR [•].
Maximum Subscription Amount for Individual Investors	SAR [•].

Allocation and Refund Method for each Category of Targeted Investors	
Allocation of Offer Shares to Participating Parties	Final allocation of the Offer Shares to the Participating Parties will be made through the Lead Manager following subscription by Individual Investors. The number of Offer Shares to be initially allocated to Participating Parties is eighteen million (18,000,000) Shares representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors for the Offer Shares, the Bookrunner may decide to reduce the number of Shares allocated to Participating Parties to sixteen million two hundred thousand (16,200,000) Shares, representing ninety percent (90%) of the total Offer Shares, following subscription by Individual Investors.
Allocation of Offer Shares to Individual Investors	The allocation of the Offer Shares for Individual Investors is projected to be completed no later than Saturday 7 Jumada Al Awal 1443H (corresponding to 11 December 2021G), with the minimum allocation per Individual Investor amounting to ten (10) Offer Shares, and the maximum allocation per Individual Investor amounting to three hundred thousand (300,000) Offer Shares. The remaining Offer Shares, if any, shall be allocated on a pro-rata basis based on the number of Offer Shares applied for by each Individual Investor to the total number of subscribed for shares. In the event that the number of Individual Investors exceeds one hundred and eighty thousand (180,000), the Company will not guarantee the minimum allocation of Offer Shares, and the allocation will be made as determined by the Company and Financial Advisor.
Refund of Excess Subscription Monies	Surplus subscription amounts (if any) will be refunded without any charge or withholding by the Lead Manager or relevant Receiving Agent. Notification of the final allotment and refund of subscription monies, if any, will be made at the latest by Monday 9 Jumada Al Awal 1443H (corresponding to 13 December 2021G) (for further details, see page xiv ("**Key Dates and Subscription Procedures**") and Section 18 ("**Subscription Terms and Conditions**")).
Offering Period	The Offering will commence on Sunday 1 Jumada Al Awal 1443H (corresponding to 5 December 2021G) and will remain open for a period of two (2) days up to and including Monday 2 Jumada Al Awal 1443H (corresponding to 6 December 2021G).
Distribution of Dividends	The Offer Shares will be entitled to receive any dividends declared and paid by the Company from the date of this Prospectus and for subsequent financial years (for further details, please refer to Section 7 ("**Dividend Distribution Policy**")).
Voting Rights	The Company has one class of Ordinary Shares, which do not carry any preferential voting rights. Each Share entitles the holder to attend General Assemblies and cast one vote thereat. A Shareholder may authorize another Shareholder that is not a member of the Board of Directors to attend the General Assembly and vote on its behalf (for further details, please refer to Section 12-13 ("**Description of Shares**")).
Share Restrictions (Lock-up Period)	The Substantial Shareholder, shown on page x will be subject to a Lock-up Period of six months starting from the commencement of trading of the Shares on the Saudi Stock Exchange, during which the Substantial Shareholder shall be prohibited from disposing of its Shares. Following the Lock-up Period, the Substantial Shareholder will be free to dispose of its Shares. In addition, the Company is prohibited from listing shares of the same class as the Offer Shares for a period of (6) months starting from the start of trading of the Offer Shares on the Exchange.
Listing and Trading of Shares	Prior to the Offering, there has been no public market for the Shares in the KSA or elsewhere. An application has been made to the CMA for the registration and offering of the Shares in accordance with the OSCOs, and the Company has made an application to the Exchange to list its Shares in accordance with the Listing Rules. All relevant regulatory and corporate approvals required from the CMA and the Exchange to conduct the Offering have been granted, including approvals pertaining to the publication of this Prospectus and all supporting documents have been submitted to the CMA. It is expected that Shares will commence trading on the Exchange shortly after the final allocation of the Shares.
Risk Factors	There are certain risks related to investing in the Offering. Such risks can be classified as follows: (i) risks related to the Company and its operations; (ii) risks related to the market; and (iii) risks related to the Offer Shares. These risks are described in Section 2 ("**Risk Factors**") and page i ("**Important Notice**"), and should be considered carefully prior to making a decision to invest in the Offer Shares.
Offering Expenses	The Selling Shareholder shall be responsible for all expenses and costs associated with the Offering, which are estimated at around SAR [•]. Such costs shall be deducted from the Offering proceeds, and include the fees of the Financial Advisor, Underwriter, Issuer's Legal Advisor, the Financial Due Diligence and Working Capital Advisor, Auditor, Market and Strategy Consultant, and other Advisors, in addition to the fees of the Receiving Agents, marketing, printing and distribution expenses, as well as other related expenses.

Financial Advisor, Lead Manager and Underwriter	HSBC Saudi Arabia HSBC Building 7267 Olaya Street, Al-Murooj P.O. Box 2255 Riyadh 12283 Kingdom of Saudi Arabia Tel: + 966 (92) 000 5920 Fax: +966 (11) 299 2385 Website: www.hsbcsaudi.com Email: hbsaibaraspberry@hsbcsa.com

Note: Page i ("**Important Notice**") and Section 2 ("**Risk Factors**") of this Prospectus must be carefully studied before making any decision regarding investing in Offer Shares under this Prospectus.

KEY DATES AND SUBSCRIPTION PROCEDURES

Table (1-3): Expected Offering Timetable

Expected Offering Timetable	Date
Offering Period for Participating Parties and Book-Building Period	Starting from Monday 10 Rabi Al Akhar 1443H (corresponding to 15 November 2021G) and closing at the end of 16 Rabi Al Akhar 1443H (corresponding to 21 November 2021G).
Submission Period for Individual Investors	Starting from Sunday 1 Jumada Al Awal 1443H (corresponding to 5 December 2021G) and closing at the end of Monday 2 Jumada Al Awal 1443H (corresponding to 6 December 2021G).
Initial Allocation	Thursday 20 Rabi Al Akhar 1443H (corresponding 25 November 2021G)
Deadline for submission of Subscription Forms by Participating Parties based on the initial allocation of Offer Shares	Tuesday 25 Rabi Al Akhar 1443H (corresponding to 30 November 2021G).
Deadline for submission of Retail Subscription Forms and payment of the subscription monies by Individual Investors	Monday 2 Jumada Al Awal 1443H (corresponding to 6 December 2021G).
Deadline for payment of subscription money by Participating Parties based on their initially allocated Offer Shares	Sunday 1 Jumada Al Awal 1443H (corresponding to 5 December 2021G).
Announcement of final Offer Shares allotment	At the latest on Saturday 7 Jumada Al Awal 1443H (corresponding to 11 December 2021G).
Refund of excess subscription monies (if any)	Monday 9 Jumada Al Awal 1443H (corresponding to 13 December 2021G).
Expected trading commencement date for the Shares	Trading of the Offer Shares on the Exchange is expected to commence after all relevant legal requirements and procedures have been fulfilled. Trading will be announced in local newspapers and on the Saudi Exchange website (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative. Actual dates will be communicated through announcements appearing in national daily newspapers, on the Saudi Exchange website (www.saudiexchange.sa), the Company's website (www.almunajemfoods.com) and the website of the Financial Advisor (www.hsbcsaudi.com).

How to Apply for Offer Shares

The Offering shall be restricted to the following two groups of investors:

Tranche (A): Participating Parties: parties eligible to participate in the book-building process as specified under the Book-Building Instructions (for further details, see Section 1 ("**Definitions and Abbreviations**") and Section 18 ("**Subscription Terms and Conditions**")).

Tranche (B): Individual Investors: individual investors comprising Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well any non-Saudi natural person resident in the Kingdom or any GCC national, in each case having a bank account with one of the Receiving Agents and having the right to open an investment account with a Capital Market Institution. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, then the relevant regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

Participating Parties

Participating Parties can obtain the Subscription Application Forms from the Bookrunner during the Book-Building Period, and obtain the Subscription Form from the Bookrunner following the initial allocation. The Bookrunner shall, after the approval of the CMA, offer the Offer Shares to Participating Parties only during the Book-Building Period. Subscriptions by the Participating Parties shall commence during the Offering Period, which shall also include the Individual Investors, according to the terms and conditions detailed in the Subscription Forms. A signed and stamped Subscription Form shall be submitted to the Bookrunner, with such Subscription Form representing a binding agreement between the Selling Shareholders and the applicant Participating Party.

Individual Investors

Retail Subscription Forms for Individual Investors will be available during the Offering Period at all Receiving Agents. Individual Investors who have participated in previous initial public offerings in the Kingdom can also subscribe through the internet, telephone banking or ATMs of any of the Receiving Agents offering any or all such services to its customers, provided that the following requirements are satisfied:

- the Individual Investor must have a bank account at the Receiving Agent which offers such services; and
- there have been no changes in the personal information or data of the Individual Investor (by way of exclusion or addition of any member of his family) since such person last participated in an initial public offering.

Each Individual Investor is required to fill out the Retail Subscription Form according to the instructions described in Section 18 ("**Subscription Terms and Conditions**"). Each applicant must complete all the relevant sections in the Retail Subscription Form. The Company reserves the right to reject any Retail Subscription Form, in part or in whole, if any of the subscription terms and conditions are not met. The Retail Subscription Form cannot be amended or withdrawn once submitted. Furthermore, the Retail Subscription Form shall, upon submission, be considered to be a legally binding agreement by the relevant investor to the Selling Shareholders (for further details, see Section 18 ("**Subscription Terms and Conditions**")).

Excess subscription monies, if any, will be refunded to the primary Individual Investor's account held with the Receiving Agent from which the subscription value has been debited in the first place, without withholding any charge or commission by the relevant Receiving Agent. Excess subscription monies shall not be refunded in cash or to third party accounts.

SUMMARY OF KEY INFORMATION

This summary of key information aims to give an overview of the information contained in this Prospectus. As it is a summary, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary should be treated as an introduction to this Prospectus. Recipients of this Prospectus should read the Prospectus in its entirety, as any decision by prospective investors to invest in the Offer Shares should be based on a study of this Prospectus as a whole. In particular, it is important to carefully consider the ("**Important Notice**") on page i and Section 2 ("**Risk Factors**"), respectively, prior to making any investment decision in relation to the Offer Shares.

OVERVIEW OF ALMUNAJEM FOODS COMPANY

Overview of the Company and its Business Activities

Almunajem Foods Company is a Saudi joint stock company established under commercial registration no. 1010231822 dated 07/04/1428H (corresponding to 24 April 2007G) pursuant to ministerial resolution no. 196, dated 25/06/1442H (corresponding to 07/02/2021G). The Company's registered Head Office according to its commercial register is located at the North Maathar District, Takhassusi Street, Riyadh. The Company's P.O. Box is 1544 Riyadh (Zip Code 11441). The Company's current share capital is six hundred million Saudi Riyals (SAR 600,000,000), divided into sixty million (60,000,000) ordinary Shares with a fully paid-up nominal value of SAR 10 per share. The Company's main activities, as provided under its certificate of registration, comprise of the importation, marketing, and distribution of frozen, chilled, and dry foodstuff to the Saudi food sector.

The Company's journey started in 1950G, when Abdullah Ali Almunajem established a foodstuff sole proprietorship in Riyadh under its first commercial registration no. 565 dated 11/11/1376H (corresponding to 09/06/1957G). Following the demise of the founder, the Company's legal form was changed in 1982G into the Abdullah Ali Almunajem Sons Company, owned by Ali Abdullah Almunajem, Abdulaziz Abdullah Almunajem, Saleh Abdullah Almunajem, Abdulrahman Abdullah Almunajem, Ahmed Abdullah Almunajem, Ibrahim Abdullah Almunajem, Yousef Abdullah Almunajem, and Fahad Abdullah Almunajem. On 07/04/1428H (corresponding to 24/04/2007G, the shareholders of Abdullah Ali Almunajem Sons Company incorporated the Company in Riyadh as a Saudi limited liability company under commercial registration no. 1010231822, dated 07/04/1428H (corresponding to 24 April 2007G), with the name of "Almunajem Cold Stores Company". The share capital of the Company then was one hundred and fifty million Saudi Riyal (SAR 150,000,000) divided into one hundred and fifty thousand (150,000) cash shares with a value of SAR 1,000 per share; while Abdullah Ali Almunajem Sons Company continued to undertake its other commercial and investment activities.

On 04/04/1431H (corresponding to 20/03/2010G), Ali Abdullah Almunajem, Abdulaziz Abdullah Almunajem, Saleh Abdullah Almunajem, Abdulrahman Abdullah Almunajem, Ahmed Abdullah Almunajem, and Ibrahim Abdullah Almunajem sold all their shares to Abdullah Ali Almunajem Sons Company. Similarly, Yousef Abdullah Almunajem and Fahad Abdullah Almunajem sold all their shares in the Company to Al-Kafaa Real Estate Company. Thus, the sole shareholders in the Company were Abdullah Ali Alunajem Sons Company and Al-Kafaa Real Estate Company.

Pursuant to the shareholders resolution dated 25/06/1442H (corresponding to 07/02/2021G), the Company was converted from a limited liability company to a (closed) joint stock company, and all procedures, including the amendment of the commercial registration, were completed on 16/06/1442H (corresponding to 28/02/2021G(. The Company's name was also changed from "Almunajem Cold Stores" to "Almunajem Foods". The Company's capital was increased from one hundred and fifty million Saudi Riyals (SAR 150,000,000) to six hundred million Saudi Riyals (SAR 600,000,000) through the transfer of one hundred seven million five hundred and eighty-six thousand one hundred and one Saudi Riyals (SAR 107,586,101) from the shareholder's accounts, and capitalization of seventy five million Saudi Riyals (SAR 75,000,000) from the statutory reserve account and two hundred sixty-seven million four hundred thirteen thousand eight hundred and ninety-nine Saudi Riyals (SAR 267,413,899) from the retained earnings account (for further details, please refer to Section 4.5 ("**Overview of the Company and Evolution of its Capital**")).

The Company began distributing the Doux and Coopoliva brands in the seventies and has grown over the years to include more than 40 brands owned or distributed thereby under its umbrella; and, since its establishment, it has managed to attract and build a large portfolio of brands widely appreciated by end consumers, as 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. During its growth period, Company was keen on diversifying its portfolio of brands to become a comprehensive center for household foods.

Since its inception, the Company endeavored to form a wide network of suppliers and build long-term relationships, through which it gained extensive experience in the field of importing products from around the world. As at the date of this Prospectus, the Company has a supplier base made up of more than 60 active suppliers, 88% of whom are renowned international suppliers with an established global market presence, and 12% are local suppliers. Said relationships between many of the suppliers and the Company have been initiated more than four decades ago. Moreover, the Company has developed a well-diversified supplier base, allowing it to adapt its portfolio to the ever-changing consumer preferences, thus mitigating any anticipated supply disruption risks and ensuring rapid response thereto.

Over the course of more than 70 years of operations, the Company has built strong relationships with its customers through its main sales channels, which include more than 11,000 retail outlets, 800 wholesale outlets and 6,000 food service outlets in all regions of the Kingdom, with the Company proving its position among market key customers as a preferred supplier of frozen, chilled and dry products. Today, the Company has become a reliable partner for a base of key market customers, including large supermarket chains that have multiple branches in all major regions of the Kingdom, such as AlOthaim, Panda, Carrefour, Danube, Lulu, Tamimi, Bindawood, etc. As at 31/03/2021G, the wholesale, retail, and food services sectors represented about 23.5%, 44.3%, and 23.2% of the Company's total revenues, respectively.

Throughout the years of its operations, the success of the Company has been largely due to its keenness to continuously invest in expanding and developing its logistical and distribution capabilities, leading to its current position as a reliable partner for customers and suppliers through its comprehensive coverage of the Kingdom's regions, whereby the Company has developed a wide distribution network that facilitates the effective delivery of more than 280,000 MT of products annually supplied to customers through approximately 18,000 outlets. The Company has 14 branches 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). Moreover, the Company has a Fleet of more than 1,000 vehicles to deliver products to customer locations all over the Kingdom, which enhances its geographical spread and effective customer reach.

The Company's branches include 12 cold store branches, a sales branch (office), and the Meat Factory branch in Jeddah. Each of the Company's 12 Cold Store branches is designed in a way that makes it safe to store frozen, chilled and dry food products in a temperature-controlled environment. The storage capacity of the Cold Store branches varies from 1,000 MT to 15,000 MT per branch, which gives the Company a total storage capacity of about 55,000 MT.

The Company has been keen to equip its branches and Fleet with the latest technologies, allowing it to efficiently operate its business, as most cold stores were equipped 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 reach the required product, supported by the Oracle real-time inventory management and tracking system, in addition to a temperature control system that 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, as GPS systems enable the fleet and quality teams to track the Fleet from a central location at the Company's headquarters (located in Riyadh), and enables Cold Store branches to track their trucks. The GPS system also allows the Company to monitor driver performance, including speeds, which can have an impact on the quality of the product that reaches the customer.

The Company's sales volume grew from 273,807MT on 31/12/2018G to 281,462 MT on 31/12/2020G, and 73,701 MT for the period ended 31/03/2021G, representing a growth rate of 1.4% during said period. Likewise, the Company witnessed a similar growth in sales, which increased from SAR 2,493,467,767 on 31/12/2018G to SAR 2,531,351,310 on 31/12/2020G, which represents a growth rate of 0.8% during said period. The Company achieved total revenues of SAR 2,497,344,873, SAR 2,419,060,417, SAR 2,538,453,897 and SAR 628,055,404 for the financial years ended 31/12/2018G, 31/12/2019G, 31/12/2020G, and the period ended 31/03/2021G respectively. In 2020G, the Company achieved year-over-year growth in revenue and EBITDA equal to 4.9% and 79.2%, respectively, which was driven by a 20.8% increase in retail sales to reach SAR 1,048.1 million in FY 2020G.

Vision of the Company

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.

Strengths and Competitive Advantages

The Company possesses numerous strengths and competitive advantages that significantly contribute to its success and distinguish it from its competitors, which enable it to strengthen its leading position in the Saudi market.

A leading market position in the F&B space with multiple household brands within the frozen and chilled product categories in the Kingdom

The company has cultivated a diverse set of well recognized household brands amongst end consumers starting with Doux and Coopoliva in the 1970's and growing to include over 40 owned and distributed brands under its umbrella. The company continuously develops its product portfolio aimed and meeting consumer's evolving needs.

The company commands a leading retail market share across its well-recognized owned and distributed brands, whether owned or distributed thereby, specifically across frozen whole chicken, frozen potatoes, olives, frozen fruits and vegetables, labneh, and frozen seafood. Across these sub-product categories, the Company consistently maintains one of the top 3 positions by market share in the retails channels.

A longstanding reliable partner with a variety of customers in the Kingdom

In the span of more than 70 years of operation, the Company has built a loyal customer base across key channels with over 11,000 retail, 800 wholesale, and 9,000 foodservice outlets Kingdom wide. The Company has proven to be the partner of choice to key customers having an unmatched diverse frozen and chilled product offering of over 700 SKUs, robust distribution capabilities covering all regions around the Kingdom through 12 strategically located cold stores, and seamless order placement and delivery within 24 hours.

The Company's Key Customer base includes large supermarket 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.

Our sales team consists of over 800 personnel handling Sales activities and covering relationships with customers across channels through periodic visits. The team is equipped with an integrated system to support sales, planning, tracking and monitoring daily activities. The sales system features include validation of customers visit using GPS, approval discount online cycle, access to multiple promotion systems and pricing control, access to credit limit controls, monitoring daily activities, and route planning and tracking.

A robust and well-invested supply chain and logistics network in the frozen and chilled food space

The Company has significant experience in sourcing products from local and international suppliers and fulfils annual orders of more than 250,000 MT of frozen, chilled and dry food products from more than 60 international and local suppliers, distributed through approximately 18,000 customer outlets around the Kingdom. The Company has an integrated supply chain and logistical network covering all regions of the Kingdom, which includes strategic locations.

- **Supply chain process:** the planning, transportation and operations teams work closely to manage logistics activities, as the planning team coordinates with the procurement team to finalize purchase orders with suppliers based on annual expectations, expected time of receipt of shipments, current stock levels, in addition to directing shipments to ports in route to their final destination at our branches spanning across the Kingdom; while the transportation team monitors the arrival of shipments and allocates containers to branches. In this regard, about 1,000 containers are cleared from the ports every month. Finally, the operations team in each branch performs product quality checks and reconciliation through an inventory management system supported by Oracle. The Company's logistics network consists of 12 Cold Store branches, equipped with the latest technologies, in various major regions of the Kingdom with a total storage capacity of about 55,000 MT, a meat production plant (which is currently undergoing production capacity expansion) and a large Fleet for a variety of temperature-related needs.
- **Logistical technologies and networks:**
  - **Cold Store branches:** Frozen, chilled and dry food products are stored safely as the temperature of the warehouses can be adapted to meet the storage requirements of each group of products separately. The storage capacity of the Company's 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 55,000 MT, which is a feature of strategic importance. Most of the Cold Store branches are equipped with the latest technology including automatic mobile racking systems that maximize storage capacity in an economical and efficient manner, which reduces the time required to reach the desired product, and are supported by the Oracle real-time inventory management and tracking system; in addition to the temperature control system, which enables workers to control and monitor the different temperature levels in the Cold Store branches.

- **The Fleet:** The Company operates a large Fleet of more than 1,000 vehicles that enable it to safely supply products to customers in all regions of the Kingdom. Some vehicles are equipped with a "multi-zone temperature" feature, which enables them to transport several different products at the same time. The movement of the Fleet is automatically tracked through the Global Positioning System (GPS), as it enables the control room to follow the Fleet's progress, driver behavior and storage temperature in vehicles.

For decades, the Company has been keen to invest in its logistical and distribution structure, which enabled it to keep pace with the steady growth of its products until it became today a key partner for its customers and suppliers.

Broad, defensive and complimentary product portfolio of household staples and leading brands that caters to our customers' needs

The company has become a "one-stop-shop" of household staples including poultry, meat, dairy, olive & olive oil, frozen fruit & vegetables, amongst others. Our diverse and unique portfolio of products allows a number of our suppliers to efficiently order majority of their product requirements from us. This has also driven strong customer loyalty and retention.

The table below shows the main product categories relevant to the Company's business and the numbers thereof:

Table (1-4): Main product categories and number of items in which the Company operates

Category	Products	Items
Red & White Meats	62	350
Frozen Fruits and Vegetables	37	182
Dairy Products	25	108
Oils and Olives	10	49
Other (rice, dry herbs and spices)	10	31
Total	**144**	**720**

The Company's ability to select premium brands and build strong relationships with suppliers has enabled it to establish a large and loyal customer base for its products. The Company's key flagship brands include:

- **Dari:** One of the most successful brands owned by the Company, through which it sells poultry, chicken parts and processed products, dairy products, frozen meats, fruits and vegetables.
- **Montana:** A leading international brand owned by the Company in the Kingdom, through which the Company sells frozen fruits and vegetables.
- **Doux:** One of the most famous international brands in the poultry sector holding a leading market share in the retail sector in the Kingdom. It is a brand owned by France Poultry in France, a company wholly owned by Abdullah Ali Almunajem Sons Company (the Substantial Shareholder).
- **Coopoliva:** The famous olive products brand is owned by the Spanish company Agro Sevilla and has a strong market share in the retail sector in the Kingdom.
- **President:** A global brand owned by Lactalis, one of the largest dairy companies in the world, with a good labneh market share in the retail sector, in particular.
- **LambWeston:** One of the world's leading frozen potato brand and represents a strong share of the Company's frozen potato sales in the retail and food services sectors.

In addition, for the purpose of maintaining its market position, the Company is constantly working on reviewing, expanding and developing its product portfolio to match consumer needs through continuous follow-up of market trends and end-consumer preferences. The Company works closely alongside suppliers to develop new products leveraging on its experience in the market and its extensive knowledge of consumer preferences in the Kingdom, supported by periodic qualitative market studies identifying new opportunities.

Extensive network of suppliers with deep experience in sourcing products globally, underpinned by longstanding relationships

The Company has a supplier base of more than 60 active suppliers, of which 88% are international suppliers and 12% are local suppliers. The company's relationship with major suppliers has a long history spanning more than 5 decades.

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 quantities purchased through these contracts represent approximately 47% of the Company's total annual purchases. The duration of these contracts ranges from two to five years. The remaining supplier relationships are governed by purchase orders providing the Company the flexibility to shift supply as needed for non-branded and privately labeled products.

Over the decades, the Company has cultivated a well-diversified supplier base, allowing it to adapt its portfolio to the fast changing consumer preferences and mitigate any anticipated risk of supply disruption such as crop shortage in a particular country. Also, this diversity enhances the Company's ability to adapt and obtain goods even during difficult economic conditions around the world, as happened in the case of the Coviv-19 pandemic in 2020G, which also contributes to adhering to the requirements of the Food and Drug Authority in the Kingdom and maintaining the stability and continuity of supply chains during the Ramadan and Hajj seasons. The Company's ability to quickly adapt and keep up with market demands is demonstrated by the recent examples below:

- **Offering berry products:** Through its relationships with many suppliers, the Company was able to strengthen its presence in the berry market, which is not fully served in the Kingdom, as the Company nearly tripled the size of the market from 111 MT per year in 2019G to 355 MT per year in 2020G.
- **Offering sugar-free mango and guava products:** With the introduction of the excise tax on sugar products in the Kingdom, the company was able to adapt the recipes of guava and manga production to be free from added sugar within only one month by working closely with suppliers, while maintaining the same level of quality.
- **Securing supplies during the Coronavirus (COVID-19) pandemic:** The Company secured 100% of its supplies during the pandemic thanks to its diverse supplier base spread across 33 countries. Moreover, the Company has contributed to covering the shortage in the supply of table eggs in the market, which is beyond the scope of the Company's usual business.

Strong financial performance with good profitability backed by the Company's leading market position and operational excellence, in addition to the importance of the sector in which it operates

The Company consistently achieved good profits, and maintained a solid financial performance between 2018G and 2020G, in which it was able to maintain sales growth of 0.8% while achieving operating cash flows that represent 90% of the EBITDA in both years.

In 2019G, the Company's sales and EBITDA decreased by 3.1% and 29.9% from the previous year, respectively, as the Company's performance at the time was affected by several factors such as the departure of many residents as a result of the structural changes that occurred in the labor market in the Kingdom, the impact of the application of value added tax, the increase in customs duties on selected products, and decrease in the production of French poultry products, following the establishment of France Poultry (which acquired a slaughterhouse, equipment, stock and trademarks from the French company Doux).

Despite recent conditions that have led to market turmoil due to the COVID-19 pandemic, the Company has remained resilient and able to adapt as it has maintained a generally healthy financial position.

In 2020G, the Company achieved growth in sales and EBITDA by 4.9% and 91.3% YoY, respectively, which was driven by a 20.8% increase in retail channel sales to reach SAR 1,048.1 million in 2020G.

Moreover, the strong financial position of the Company and its ability to generate cash flow provides enough space to finance the future growth of its activities.

A highly experienced management team with extensive knowledge in the food sector, backed by a strong Shareholder

The Company employs an expert and experienced management team familiar with the financial, commercial, operational and regulatory aspects related to the Company's business and the food sector in the Kingdom, which team includes only one member of the founding family. The tenure of any member of the current management team with the company is not less than 7 years.

The Company always seeks to attract qualified, competent and experienced employees to help it understand and adapt to market changes and contribute to the implementation of the Company's strategy and the achievement of its goals.

Key Developments of the Company since Establishment

The following table shows the Company's key developments since establishment and up to the date of this Prospectus.

Table (1-5): Key Developments of the Company since Establishment:

Year	Event/Development
1950G	Abdullah Ali Almunajem, may God rest his sould, founded a foodstuff sole proprietorship.
1962G	The first cold store was established in the Deira district of Riyadh with a storage capacity of 200 tons.
1973G	A branch was established in Al-Malaz district in Riyadh to be the largest cold store in the Kingdom at that time, with a storage capacity of 2,500 tons.
1977G	A branch was established in Burieda, to begin the first steps of expansion outside Riyadh.
1978G	The Company was awarded the Medal of Merit, First Class, by his majesty King Khalid bin Abdulaziz, may God rest his soul.
1980G	A branch was established in Makkah and a Cold Store with a storage capacity of 2,500 tons to serve Makkah, Jeddah and the south of the Kingdom.
1982G	The legal form of the foodstuff sole proprietorship was changed to become Abdullah Ali Almunajem Sons Company.
1990G	The Company was awarded the Queen Elizabeth II Honorary Companion medal in New Zealand
1992G	The Company established its meat processing factory in Jeddah.
1996G	The Company was awarded the National Order of Merit, with the rank of knight, from the former President of France, Jacques Chirac.
1999G	The Company was awarded the Medal of Honor from Prince Henrik of the Kingdom of Denmark.
2004G	The Company was awarded the Medal of Merit with the rank of Commander from the former President of Brazil, Lula da Silva.
2007G	A legal entity was established under the name of Almunajem Cold Stores Company, engaged in all business related to the import, sales and distribution of foodstuffs.
2007G	The Company closed all its branches in the city of Riyadh and established a model main branch within a complex of an area estimated at 100,000 square meters in the AlSulay district of Riyadh.
2013G	The Company established a model branch in Makkah with large storage capacities, as a result of which the previous branch that was established in 1980G was closed.
2014G	The company launched its Dari brand in the retail market by listing a variety of distinguished quality products, including chicken varieties, dairy products, fruits, vegetables, frozen potatoes and others.
2014G	The Company was awarded the National Order of Merit, with the rank of knight from the former President of France, Francois Hollande.
2018G	The Company established a new model branch in Dammam with advanced logistical capabilities and closed the old branch that was established in 1989G.
2021G	Almunajem Cold Stores Company was converted from a limited liability company to a closed joint stock company, and the name of the company was changed from "Almunajem Cold Stores" to "Almunajem Foods Company".

Source: The Company

Strategy

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:

1. Strengthening and expanding its position in the existing product categories.
2. Expanding its product portfolio offering to effect step-change in revenues and profitability.
3. Forming strategic alliances to enhance product portfolio and customer coverage.
4. Streamlining and enhancing operational capabilities to increase customer-centricity, explore greater synergies, and a deep, industry-leading focus on product categories.
5. Adopting and developing newer methods of offering specific products to the end-customer that enhance the Company's profitability.

The Company has set comprehensive objectives for each level and has designed a clear plan of action to achieve its objectives. The following paragraphs detail the pillars of the Company's strategy (All market data provided in this section is based on market research prepared by Arthur D. Little Saudi Arabia, using published sources such as Nielsen, Euromonitor etc.).

Strengthening and expanding its position in the existing product categories

First and foremost, the Company intends to increase its market share in its core SKU groups (for further details, please see Section 4.8.2 ("**Product Categories**")) by leveraging its expertise, distribution capabilities and healthy relationships with key stakeholders including customers and suppliers. To this end, the Company has conducted an in-depth review of its existing product categories, and has been continuously developing respective category strategies, and implementing the same. Within its existing SKU categories, several growth opportunities have been identified, along with using a mix of channel penetration – within the existing and new ones as the opportunity arises, extending brands across categories, new product/brand introduction, pricing and promotion strategies etc.

Red & White Meats is the largest product segment in the Company's portfolio (for further details, please see table 4-9 ("**The Company's Revenues and Volume of Products Sold**")) contributing ~60% of total revenues. The Company is looking to enhance its sourcing strategy to focus on efficiencies and ensure supply continuity. In addition, the Company is also evaluating its SKUs and brand strategy to increase its revenues and its market share. The Company plans to expand its presence in this category by focusing more on the Food Services channel. In addition, the Company is actively looking to further increase its market share in Red & White Meat category by expanding its presence in value added / processed segments such as frozen chicken parts (retail market size ~SAR 350 million), chicken burgers & nuggets (retail market size ~SAR 244 million) etc. This plan is also in line with the shifting customer preference for convenience foods that the Company is aiming to capture. In addition, the Company is actively looking at expanding its presence in high value and high margin segments such as processed meat on the back of its strong delivery infrastructure and distribution channel network. In addition, the Company is also looking to enter the chilled meat segment as it is growing rapidly due to government focus on increased local sourcing. Chilled meat category is also lucrative due to high inventory turnover and margins.

Dairy, with a market size of SAR 14.6 billion in Saudi, is the third largest segment by revenue (~13%) for the Company. It has a long history of successful partnerships with key global dairy players such as Arla and Lactalis (which are both its main suppliers). Recent launch of a full range of globally renowned 'President' is a testament to the Company's strong partnerships. The Company is also exploring business opportunities with another local/international player to further strengthen its product and brand portfolio. The Company is strongly positioned to grab market share in both retail and food service channels. The Company's strategy is already bearing fruits with a rebound in the performance of the Dairy segment (in YTD2020).

Further, the Company has strong presence in the olives category, especially in the retail channel where its partner brand, Coopoliva is the market leader. The Company plans to expand its presence in the markets of this category of products by focusing more on the Food Services channel through a mix of brand and pricing strategy, leveraging its existing infrastructure, customers, distribution network and supply chain to make deeper inroads into this category. To expand its presence in Food Services channel, the Company is also evaluating sourcing olives from other countries.

In addition, the Company has contracts with leading supermarket and hypermarket chains in the retail channel and key accounts in food service channel. This help ensure higher customer satisfaction through improved supply security and smoothens the volatility in the Company's sales. Currently, there are changes happening to the sourcing strategy and expansion in the value-added processed white & red meat product categories that are expected to further improve the Company's performance. The Company is planning to manufacture value-added meat products in its Jeddah manufacturing facility.

Expanding its product portfolio offering to effect step-change in revenues and profitability

With a view to deliver incremental growth, the Company intends to enrich its product portfolio and is actively assessing new frozen, chilled and non-frozen product segments to enter. The Company will leverage its extensive distribution infrastructure, channel partnerships (retail & food services) and key account relationships to quickly ramp up the rollout of additional product categories and gain market share. 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 blue ocean strategy relevant to both retail and food service channel.

Accordingly, the Company is considering entering new sub-segments in existing categories such as Chicken strips (retail market size ~SAR 54 million) and new categories such as ice cream (retail market size ~SAR 688 million) and frozen dough and pastry (retail market size ~SAR 221 million). Additionally, and as discussed above, the Company is targeting the Food Service channel which is estimated to be many times the size of retail channel (the size of this channel varies by segments, but generally is far larger than retail).

In addition, the Company is also evaluating several high growth non-frozen categories such as pasta & noodles (retail market size ~SAR 1.3 billion), sauces & condiments (retail market size ~SAR 2 billion) and hot breakfast cereals (retail market size ~SAR 336 million). This choice is driven by three factors – existing customer relationships, the high quality procurement function that the Company has and finally, the extensive reach of the Company's distribution network that will allow it to seamlessly offer such products with minimal or no change to its existing set-up. The Company has an extensive supply chain infrastructure that can readily be used for distribution of frozen and chilled products, as well as distributing non-frozen products. Where required, the Company is ready to make prudent investments with the objective to deliver good margin and high value growth products that support its objective to achieve a leadership position in all the segments and channels it operates in, during the next 3-5 years. As a next step, the Company plans to evaluate the sub-segments across various product categories and identify the right sub-segments for it to target.

Exploring strategic alliances to enhance product portfolio and customer coverage

Establishing strategic alliances is a key component of the Company's strategy. The Company considers the below options under this pillar:

- 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.
- Partner with global brands currently present in the market that are looking for new distributors.

As the Company is looking to expand its presence in existing and new categories, it is evaluating the prospect of establishing new alliances / partnerships. As it has always done, the Company is on a continuous look-out for strong global and local brands that can meet the strict quality criteria it has and provide complimentary set of products to enhance and strengthen its existing portfolio of products. One such recent example is the partnership with Lactalis to distribute dairy products under the 'President' brand in KSA. Lactalis was present in the market and was looking for another distributor. Eventually, Lactalis decided to partner with the Company due to its strong distribution capabilities. Another example is the signing of a contract with Seara to distribute whole chicken products and chicken parts through food service and wholesale channels. The Company will also opportunistically evaluate potential acquisition opportunities to complement its existing platform and effect a step-up change growth in revenue and profitability. Such forays will be driven by strategic as well as commercial considerations that not only secure and consolidate the Company's existing portfolio, but also allow it to move into synergistic areas that secure its future growth. Hence, the Company is open to growing through evaluating acquisition opportunities should it be helpful for the Company to meet one or more of the following objectives:

- **Expansion to new product groups:** if a Target has a product portfolio that complements Company's current product portfolio and can grow rapidly,

- **Increasing channel coverage or target customer segment:** if a Target has strong channel coverage that has synergies with the Company's network and can help take the Company into new key accounts / customer segments / geographies
- **Backward and forward integration:** if a Target provides strong and profitable opportunity for the Company to either provide / develop its products, and / or expand into manufacturing / processing, or deliver and effect deep value addition to its products.

Increased focus on operational capabilities to explore greater synergies and to streamline its functions with the objective of increasing profitability, customer-centricity and strengthening its position as the industry-leading expert in F&B in the KSA

The Company is looking to streamline its operations to improve customer centricity and achieve further synergies. By continuously reviewing its sourcing strategy and by re-evaluating its distribution services and processes, the Company intends to ensure a highly efficient and robust supply chain that can continue to deliver a good quality customer experience, even under unforeseen events / situations and supply shocks. In its quest to strengthen its position as the pre-eminent distributor of good quality products that is also a responsible corporate citizen, the Company is actively considering local sourcing opportunities in line with the Kingdom's 2030 Vision. The Company seeks on improving self-sufficiency and de-risking itself from any unforeseen supply issues. The Company is considering such an initiative also with a view to increase its product categories / segments and its profitability.

Further, the Company is looking at backward integration and is expanding its processing facilities to meet market demand and improve its value share. This is in line with this strategy to expand its current manufacturing and processing facility in Jeddah to meet the rising demand of various Red & White Meat products. The planned factory expansion in Jeddah is expected to commence production by October 2021G.

The focus on growth is not only exclusive to searching for new opportunities - the Company's management is focused on delivering profitable growth, and in doing so, it periodically conducts a portfolio optimization exercise in which any non-performing products iseither dropped or new plans are developed to improve its performance. This further supports operational streamlining and a sustainable and profitable growth trajectory.

Exploring and developing best-in-class, newer methods of offering specific products to the end-customer that enhance the Company's profitability and customer experience

One of the latest trends in grocery shopping is the shift of customer demand to online channels, which has been further accelerated by the COVID-19 pandemic. The Company believes that a large majority of the demand shift to online channels due to COVID-19 pandemic is here to stay and may sustain even after the pandemic is overcome. Being a significant aggregator itself, and a procurer of high quality brands, the Company is evaluating various options to tap into this opportunity by itself and/or with its partners, to include foray into online direct distribution channel for specific customers and/or for specific/ niche products. The Company is also studying which products/brands to be offered using this channel. In addition, the Company is also actively considering options and looking at leveraging various digital technologies throughout its supply chain to further improve the efficiency e.g. the Company has invested in rolling out digital ordering system, which enables the sales team to take orders and track inventory real-time and it will enable customers to place the orders online in the future. In combination, the above could help the Company establish an 'end-to-end' medium with which to serve a specific class of customers, allowing it to also deliver high value and high profit growth that is sustainable over the longer term. Further, the Company considers it a key imperative for it to evaluate the online / e-commerce with a view to adapt itself to any changes that might occur in the near term.

Additionally, a key area of focus is the food service sector, which can be several times the size of retail sector for numerous of the Company's main product categories. One of the key action points for the Company will be to expand its presence in food service channel in categories such as frozen red & white meat, fruits & vegetables and olives. In addition to product portfolio tweaks, the Company will focus on category management and key account management approach to expand its presence in the food service channel. The above pillars will contribute significantly to achieve this strategic objective.

MARKET OVERVIEW

The Company obtained the data and information included in this Prospectus relating to the market and sector in which it operates from the Market Assessment Report prepared by Arthur D. Little Saudi Arabia (hereinafter referred to as the "**Market Study Consultant**"). The study was issued on 31 January 2021G.

Arthur D. Little Saudi Arabia was founded in 2010G in Riyadh, Saudi Arabia. It provides strategic services and market research. Arthur D. Little Saudi Arabia started its operations in Saudi Arabia in the 1950s (for further information about the Market Study Consultant, please go to www.adlittle.com).

It shall be noted that neither the Market Study Consultant nor any of its shareholders, directors or their relatives, own any kind of share or interest in the Company or its affiliate companies. The Market Study Consultant has given his written approval on the use of the market information and studies provided to the Company as shown in this Prospectus, and such approval has not been withdrawn to date.

Saudi F&B market is estimated to be SAR 195 billion in 2019G and is projected to grow at 6.4% CAGR during 2019-2021G, according to the Saudi Ministry of Investment. Saudi Arabia imports approximately 70% of its food consumption; however, the levels of imports vary by category. For example, while Saudi Arabia imports approximately 50% 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 the core business of the Company. The Company operates in several large food categories, a few of which are outlined below and further details are included in the market assessment.

- Chicken (Frozen & Chilled) – A part of the chicken demand in the Kingdom is served by imports, with most of chicken products imported into the country in frozen form. Poultry products are forecasted to grow over the next five years as they are considered healthy by the consumers. Frozen & Chilled Chicken retail market was estimated at SAR 3.1 billion in 2019G and is expected to grow at 2.1% CAGR during 2019-2024G;
- Processed Red Meat (Frozen & Chilled) – Processed Red Meat (Frozen & Chilled) in retail has grown at 5.2% CAGR in sales value and 2.9% CAGR in volume during 2017-2020G. This category is projected to grow 5.6% CAGR in sales value and 4.8% CAGR in volume during 2020-2025G;
- Frozen Fruit & Vegetables – This category grew at 7.2% CAGR in retail sales to SAR 0.7 billion, and is projected to grow at 6% CAGR in sales value and 4.0% CAGR in volume during 2020-2025G;
- Dairy – Dairy category in retail channel has grown at 1.6% CAGR in terms of value during 2017-2020G. The category is expected to grow at 4% CAGR in sales value and 2.7% in volume during 2020-2025G; and;
- Edible Oils – Edible Oils category is comprised of Olive oil (20% market share by value), Corn oil (28%), Rapeseed oil (3%), Sunflower oil (38%), and others. Olive oil has been growing the fastest during 2017-2020G at 4.6% CAGR in terms of sales value. It is forecasted to remain the fastest growing sub-category with projected sales growth of 2.2% CAGR during 2020-2025G.

Growth in these categories and the entire Saudi F&B market is underpinned by the macroeconomic, consumption, and demand trends outlined below. The Saudi grocery retail and food service sector will be the key to achieve this growth in distributing the food products to end customers.

Saudi Arabia's macroeconomic situation is expected to support the development and growth of the Saudi F&B market. The major macroeconomic drivers of the Saudi food and beverage sector growth are:

- Expected return to GDP growth – despite the estimated decline in the GDP in 2020G by 4.1% due to the COVID-19 pandemic, the Kingdom is expected to return to a GDP growth of approximately 2.8% per annum in 2021G and 2022G. 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 – the Saudi population, which is forecasted to grow at 1.2% CAGR during 2020-2025G, will contribute to growth of the total addressable F&B market.
- Rising disposable income – Despite the decline in 2020G due to COVID-19, disposable income in Saudi Arabia is forecasted to grow at 4.7% CAGR during 2020-2024G. Such recovery will act as an additional catalyst for the growth of the F&B market. The rise in income will result in growth of consumer expenditure on food, which is also projected to increase at 4.6% CAGR during 2019-2024G.
- 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, including Hajj and Umrah visitors, as a result of the government's continuous efforts to develop the industry as part of Vision 2030 and the National Transformation Program.

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 – increased investment in local and foreign food manufacturing capabilities driven by the National Transformation Program. The COVID-19 pandemic accelerated Saudi Arabia's focus on further strengthening its local and international food sourcing capabilities. 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 which tripled the budget for such activities as compared to the prior year, reaching SAR 5.5 billion in 2020G.
- The Kingdom's focus on food safety and quality – strengthening regulations related to food safety and quality such as the 2018G legislation intended to ban the use of partially hydrogenated oils.
- Growing trend towards healthy food products – consumers' interest in healthier foods is rising inspired by the growing number of media channels promoting healthy food habits. The trend is growing stronger because the government is also promoting a healthy lifestyle, as part of one of the pillars of Vision 2030, "Living healthy, being healthy". Furthermore, during the COVID-19 pandemic, the Saudi Ministry of Health conducted a health awareness campaign encouraging people to eat a balanced diet and exercise to boost the immune system. The trend is expected to continue beyond the COVID-19 pandemic period prompted by a change in consumer behavior.
- 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 as they will have less time to cook.
- Recent increase in VAT – 2020G VAT increase to 15% is expected to increase consumers' price sensitivity when purchasing food. This is expected to have a significant impact on the demand of non-essential food items and luxury goods, as the consumer might be prompted to switch to essential commodities, such as essential food items.
- Growing share of online shopping – online grocery shopping rose over the past years, and experienced strong growth in 2020G as a result of the COVID-19 pandemic, with people reducing the number of trips outside including for grocery purchase. The Kingdom's e-grocery is estimated to have grown by 390% in 2020G reaching SAR 2.0 billion in total spending.
- Saudization program – the program aimed at increasing Saudi national's employment is resulting in some expats gradually leaving the Kingdom.

Saudi grocery retail and foodservice service would play an important role in the forecasted growth in the Saudi F&B market. The Saudi-based grocery retail space consists of more than 41,000 outlets, with an estimated sales of SAR 138.5 billion in 2020G. Food retailing in the Kingdom is undergoing two major transitions: shift from traditional retailing (e.g. baqalas) to modern retailing (e.g., hyper/supermarkets), and from in-store to e-commerce. Supermarkets and hypermarkets are expected to continue to take the market share away from traditional retail due to their larger size, which enables them to offer a greater product and brand selection at comparatively lower prices through discounts and offers. Grocery e-commerce is considered a promising high-growth investment area with several large retailers such as BinDawood, Danube, and Carrefour focusing on developing a strong presence in online retailing since 2018G. Similarly, Nana Direct, a Saudi e-grocery start-up, recently became one of the highest funded Saudi start-ups after raising USD 18 million in Series B stage in March 2020. Online grocery retailing has been growing steadily over the past years and grew from SAR 375 million (0.3% of total grocery sales) to an estimated SAR 2 billion (1.5% of total grocery sales) in 2020G, representing a five-fold increase compared to 2018G. The market has witnessed a structural shift caused by the COVID-19 pandemic and is expected to continue progressing in that direction because people may prefer the convenience of online grocery shopping over the in-store experience. A recent consumer survey suggested that Middle Eastern consumers are shopping for groceries online more frequently and majority of those consumers will continue to purchase food online post COVID-19.

Saudi Arabia's consumer foodservice market reached 36,000 outlets and SAR 81.6 billion sales in 2019G. While the total consumer foodservice sales declined by almost a third in 2020 due to COVID-19 pandemic, it is forecasted to recover with a CAGR of 10.2% during 2020-2025G. Because of its strong growth potential, food services segment has been a key focus area for large distributors and food and beverage manufacturers looking to grow. The consumer foodservice market is dominated by full-service and limited-service restaurants, which account for 90% of total foodservice sales. Approximately 70% of the consumer foodservice market is held by independent restaurants, and the remaining 30% is held by restaurant chains. Consumer foodservice has been significantly impacted by the COVID-19 pandemic; however, the outlook remains optimistic. Consumer foodservice sector in Saudi Arabia is already witnessing a rebound in economic activity.

Overall, the Saudi food and beverage industry is projected to grow at 6.4% CAGR during 2019-2021G as a result of the dynamic nature of the sector despite the COVID-19 pandemic and other external shocks. The food and beverage sector, and especially the Frozen & Chilled categories, have higher barriers of entry due to investment required in distribution and storage infrastructure. Moreover, the sector is strongly influenced by consumers' trust towards the food brands suggesting that well-positioned brands with long history have a strong advantage over other brands. The Company is well-positioned to maintain its strong performance in the future. With more than a 70-year track record, the Company has a deep-rooted presence in the market and is a common and trusted Saudi household brand. The company has 12 Cold Store branches and the Meat Factory (currently undergoing capacity expansion) and a large Fleet of 1,064 vehicles allowing it to efficiently deliver food products across Saudi Arabia. Moreover, the Company's presence in large and high growth food categories such as Frozen Fruit & Vegetables, Edible Oils, Red and White Meat (Frozen & Chilled), Rice, and Dairy provides strong opportunities for future growth. The Company's deep-rooted presence across the most relevant sub-segments positions it well to capture the robust growth and structural shifts in the industry in the Kingdom going forward.

SUMMARY OF FINANCIAL INFORMATION

The selected financial information set out below should be read in conjunction with the Company's audited financial statements for the financial years ended on 31 December 2018G, 31 December 2019G, 31 December 2020G, the period ended 31 March 2021G, and notes thereto, which were prepared in accordance with IFRS-KSA and other SOCPA-endorsed standards and pronouncements, and in addition to the information contained in "**Financial and Statistical Information**" above. Such audited financial statements and notes thereto are each included in Section 20 ("**Financial Statements and Auditors' Reports**") of this Prospectus.

The financial information for the financial year ended 31 December 2018G was extracted from the comparative financial information presented in the Company's financial statements for the financial year ended 31 December 2019G. The financial information for the financial year ended 31 December 2019G was extracted from the comparative financial information presented in the Company's financial statements for the financial year ended 31 December 2020G and the period ended 31 March 2021G.

SAR (in thousands)	FY18G	FY19G	FY20G	Period ended 31 March 2021G
Statement of Profit or Loss Data				
Revenue	2,497,345	2,419,060	2,538,454	628,055
Cost of revenue	(2,085,476)	(2,084,410)	(2,054,327)	(530,615)
Gross profit	**411,869**	**334,651**	**484,127**	**97,440**
Selling and distribution expenses	(207,241)	(203,491)	(225,860)	(57,276)
General and administration expenses	(20,253)	(21,728)	(23,007)	(4,965)
Depreciation of right-of-use assets	-	(5,405)	(7,813)	(1,909)
Operating income	**184,375**	**104,026**	**227,447**	**33,290**
Other revenue (expenses), net	(22,612)	17,449	14,338	488
Finance cost	(6,847)	(9,530)	(4,871)	(738)
Income for the year / period before Zakat	**154,916**	**111,945**	**236,914**	**33,040**
Zakat charge	(5,441)	(2,780)	(7,235)	(3,577)
Net income for the year / period	**149,475**	**109,165**	**229,679**	**29,464**
Re-measurement of employee defined benefit liability	1,900	(3,842)	(2,239)	-
Comprehensive income for the year	**151,375**	**105,322**	**227,440**	**29,464**

SAR (in thousands)	FY18G	FY19G	FY20G	Period ended 31 March 2021G
Statement of Financial Position Data				
Total current assets	656,759	669,045	737,604	831,442
Total noncurrent assets	310,849	354,064	332,245	330,800
Total assets	**967,608**	**1,023,108**	**1,069,849**	**1,162,241**
Total current liabilities	461,617	485,929	347,793	412,705
Total noncurrent liabilities	27,612	73,478	81,605	79,621
Total liabilities	**489,229**	**559,407**	**429,398**	**492,326**
Total equity	478,379	463,702	640,451	669,915
Total liabilities and equity	**967,608**	**1,023,108**	**1,069,849**	**1,162,241**
Statement of Cash Flow Data				
Net inflows from operating activities	243,221	138,497	205,831	42,286
Net inflows used in investing activities	(35,277)	(23,327)	(2,233)	(6,050)
Net inflows used in financing activities	(206,842)	(123,426)	(203,782)	(26,910)
Key Financial and Performance Indicators				
Number of branches	13	13	13	13
Number of factories	1	1	1	1
Number of customers' outlets	18,465	18,077	17,737	17,331
Total volumes sold (MT)	**273,807**	**282,118**	**281,462**	**73,701**
Total average selling price per MT (SAR)	**9,107**	**8,547**	**8.994**	**8,500**
Total average sales per customer (in thousand SAR)	**135**	**133**	**143**	**36**
Gross profit margin (1)	16.5%	13.8%	19.1%	15.5%
Operating profit margin (2)	7.4%	4.3%	9.0%	5.3%
Profit margin for the year / period (3)	6.0%	4.5%	9.0%	4.7%
Days Sales Outstanding (DSO) (4)	29	30	29	34
Days Inventory Outstanding (DIO) (5)	45	44	51	55
Days Payable Outstanding (DPO) (6)	42	40	39	47
Return on equity (7)	31. 2%	23.5%	35.9%	27.4%
Return on assets (8)	15.4%	10.7%	21.5%	15.8%

Source: Company information and Financial Statements for the financial years ended on 31 December 2018G, 31 December 2019G, 31 December 2020G and the period ended 31 March 2021G.

(1) Gross profit margin is defined as gross profit divided by revenue, expressed as a percentage.

(2) Operating profit margin is defined as operating income divided by revenue, expressed as a percentage.

(3) Profit margin for the year / period is defined as net income divided by revenue, expressed as a percentage.

(4) DSO is calculated using gross commercial receivables.

(5) DIO is calculated using the cost of purchases and excludes from the total inventory spare parts, equipment spare parts, and inventory in transit.

(6) DPO is calculated using cost of purchases and excludes purchases from France Poultry.

(7) Return on equity is calculated as follows: income for the year / total equity book value for the year.

(8) Return on assets is calculated as follows: income for the year / total asset book value for the year.

SUMMARY OF RISK FACTORS

Before considering an investment in the Offer Shares, prospective investors are advised to carefully consider all the information contained in this Prospectus, particularly the risks stated below and which are described in detail in Section 2 ("**Risk Factors**").

A. Risks Related to the Company's Operations

1. Risks related to the overall decline in the number of consumers or level of consumer spending on the Company's business
2. Risks related to the Company's reliance on certain Key Suppliers
3. Risks related to the terms of supply and distribution contracts signed between the Company and certain Key Suppliers
4. Risks related to the lack of supply and distribution contracts with certain Key Suppliers
5. Risks related to the terms of the Company's relationships with Customers
6. Risks related to the sustainability of the Company's ability to maintain incentives and discounts from supplier support, market condition, governmnet fees and others.
7. Risks related to the Company's expansion strategy
8. Risks related to the impact of increasing costs and operating expenses on the Company's business
9. Risks related to the Company's Related Party Transactions
10. Risks related to regulations, permits, licenses and approvals necessary for the Company's business
11. Risks related to maintaining the Company's image and reputation
12. Risks related to quality or health problems associated with the Company's products
13. Risks related to with the Commercial Agencies Law
14. Risks related to protecting Company trademarks
15. Risks related to operational and unexpected interruptions to the Company's business
16. Risks related to the outbreak of an infectious disease or other serious public health concerns, including the continuing global spread of COVID-19
17. Risks related to inventory levels
18. Risks related to the adoption of amendments to international accounting standards or implementation of new International Accounting Standards (IFRS) in the future and its impact on the Company
19. Risks related to the fluctuation of currency exchange rates
20. Risks related to the Company's reliance on its senior management and key personnel
21. Risks related to the requirements of non-Saudi employees and the Labor Law
22. Risks related to the Company's current debt arrangements
23. Risks related to the Company's implementation of a newly adopted corporate governance manual
24. Risks related to management's lack of experience in managing a publicly listed company
25. Risks related to reliance on supply and support from third party service providers
26. Risks related to accidents and injuries resulting from the Company's operations
27. Risks related to the adequacy of insurance coverage
28. Risks related to interruptions in the Company's IT network or cloud systems
29. Risks related to litigation involving the Company
30. Risks related to Government fees applicable to non-Saudi employees of the Company
31. Risks related to increases in prices charged by food and non-food producers
32. Risks related to the concentration of sales in the White and Red Meats segment

33. Risks related to the approval of products by SFDA
34. Risks related to certification of products slaughtered according to Islamic method (Halal Certification) by the suppliers
35. Risks related to changes in laws and regulations as applicable to the Company's business
36. Risks related to the adoption of additional fees or new taxes
37. Risks related to ownership and title disputes relating to the Company's Branches
38. Risks related to the concentration of Key Customers
39. Risks related to seasonal factors

B. Risks Relating to the Market, Industry and Regulatory Environment

1. Risks related to the impact of political and economic risks on the Company's operations
2. Risks related to the the highly competitive industry in which the Company operates
3. Risks related to the Company's compliance with Saudization and other Labor Law Requirements
4. Risks related to the impact of changes of prices for energy, electricity, water and related services on the Company's operating expenses
5. Risks related to the changes in laws and government policies in Saudi Arabia
6. Risks related to changes to the calculation of Zakat and income Tax
7. Risks related to import
8. Risks related to Zakat and Tax
9. Risks related to foreign ownership restrictions with respect to Makkah and Madinah

C. Risks Related to the Offer Shares

1. Risks related to actual control by the Substantial Shareholder post-offering
2. Risks related to the absence of a prior market for the Shares
3. Risks related to the sale of a large number of Company shares post-offering
4. Risks related to fluctuation in the market price of the Shares
5. Risks relating to the Company's ability to distribute dividends

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ملوخية
MOLOKHIA
جبنة بيضاء
WHITE CHEESE

1. Definitions and Abbreviations

Term	Definition
Audit Committee	The Company's audit committee.
Branch	Company branch registered in the commercial registry as an independent branch, through which profits are collected.
Board of Directors or Board	The Company's board of directors.
Book-Building Instructions and allocating shares in initial public offerings	Instructions on Book-Building and Allocation of Shares in Initial Public Offerings issued by the Board of the CMA pursuant to resolution number 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G) as amended by CMA resolution number 3-102-2019 dated 18/01/1441H (corresponding to 17/09/2019G).
Business	Importing, marketing and distributing a range of frozen, chilled and dry food products to the food service sector in the Kingdom of Saudi Arabia.
Business Day	Any business day (with the exception of Fridays, Saturdays and official holidays) for Receiving Agents in Saudi Arabia.
Bylaws	The Company's Bylaws, as approved by the General Assembly.
Cash Van Sales	A sub-category of Distribution Channels through which customers pay cash to the Company's sales representatives who drive vehicles on certain roads from local branches to sell goods.
Capital Market Institution	A person authorized by the CMA to carry out securities business.
Capital Market Law	The Capital Market Law issued by Royal Decree Number M/30 dated 2/6/1424H (corresponding to 31/7/2003G), as amended.
CEO	The Company's chief executive officer.
Certified Accountant	Ernst & Young & Co. (Chartered Public Accountants).
Chairman	The Chairman of the Board of Directors.
CMA	The Capital Market Authority in Saudi Arabia.
Cold Store	Branch in which frozen, chilled and dry food products can be safely stored.
Company/Almunajem/Issuer	Almunajem Foods Company.
Companies' Law	The Companies' Law, issued under Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G), as amended.
Competition Law	The Competition Law issued under Royal Decree No. M/75 dated 29/6/1440H.
Control	The ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or affiliate: (a) holding 30% or more of the voting rights in a company, or (b) having the right to appoint 30% or more of the members of the governing body; "controller" shall be construed accordingly.
Corporate Governance Regulations	The Corporate Governance Regulations issued by the CMA's Board pursuant to Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) as amended by Resolution No 1-7-2021 dated 1/6/1442H (corresponding to 14/1/2021G).
Current Shareholders	All Current Shareholders in the Company whose names and ownership percentages are shown in Table 4-3 ("**Ownership structure of the company as at the date of this Prospectus**"), namely: • Abdullah Ali Almunajem Sons Company. • Al-Kafaa Real Estate Company.
Directors or Board Members	Members of the Company's Board of Directors appointed by the General Assembly whose names appear in Section 5.1 ("**Board Members and Secretary of the Board**") of this Prospectus.
Distribution Channels	The chain of distribution channels through which the Company's products pass until they reach the Company's customers, including the wholesale sector, the retail sector and the food service sector.

Term	Definition
Extraordinary General Assembly	An extraordinary general assembly of the Shareholders convened in accordance with the Bylaws.
Fleet	The Company's vehicles.
Financial Advisor	HSBC Saudi Arabia.
Food Services Sector	A distribution channel through which the Company sells products to food service customers. This includes catering companies, airlines, hotels, fast food restaurants, traditional restaurants, luxury restaurants, cafes and juice shops.
FY	The Company's financial year, from January 1 to December 31 of each Gregorian year.
FY18G	The period commencing 1 January 2018G and ended 31 December 2018G.
FY19G	The period commencing 1 January 2019G and ended 31 December 2019G.
FY20G	The period commencing 1 January 2020G and ended 31 December 2020G.
G	Gregorian
GAC	The General Authority for Competition of Saudi Arabia, the Kingdom's regulator of the Competition Law and its regulations in the Kingdom.
General Assembly	An Extraordinary General Assembly and/or an Ordinary General Assembly. "General Assembly" shall mean any Company general assembly.
Government	Government of Saudi Arabia, with "Governmental" interpreted accordingly.
H	Hijri
Head Office	The Company's head office located in Riyadh.
International Financial Reporting Standards applicable in the KSA (IFRS-KSA)	IFRS, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA, comprising IFRS with additional requirements and disclosures added by SOCPA and other standards and pronouncements that are endorsed by SOCPA, which include standards and technical releases relating to matters not covered by IFRS, such as the subject of Zakat.
Individual Investors	Saudi natural persons, including Saudi female divorcees or widows with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, any non-Saudi natural person who is resident in the Kingdom and any GCC national, in each case who has a bank account with a Capital Market Institution and are entitled to open investment accounts therewith.
KSA, the Kingdom, Saudi Arabia or Saudi	The Kingdom of Saudi Arabia.
Key Customers	The Company's top ten customers based on the percentage of Company revenues associated therewith for the period ended 31 March 2021G.
Key Suppliers	The Company's top ten suppliers based on total purchases for the period ended 31 March 2021G.
Lead Manager	HSBC Saudi Arabia.
Listing	Listing of all the Shares on the Saudi Stock Exchange in accordance with the Listing Rules.
Lock-up Period	The six-month period during which each Substantial Shareholder may not dispose of any of their Shares, starting from the commencement of trading of the Shares on the Exchange. Following the Lock-up Period, Substantial Shareholders are free to dispose of their Shares.
Management	The executive directors and Senior Executives of the Company.
Market Study	The market study in relation to the food and beverage sector in the Kingdom dated 31/01/2021G and prepared by the Market and Strategy Consultant.
Market and Strategy Consultant	Arthur D. Little Saudi Arabia.
Meat Factory Branch	The Company's meat factory branch in Jeddah.
MHRSD	The Ministry of Human Resources and Social Development in Saudi Arabia.
MoC	The Ministry of Commerce in Saudi Arabia.

Term	Definition
MISA	The Ministry of Investment in Saudi Arabia.
MOMRAH	The Ministry of Municipal, Rural Affairs and Housing.
Nomination and Remuneration Committee	The nomination and remuneration committee of the Board of Directors.
Offering	Offering eighteen million (18,000,000) ordinary Shares, representing thirty percent (30%) of the Company's share capital, for subscription on the Saudi Stock Exchange.
Offer Shares	Eighteen million (18,000,000) ordinary Shares representing thirty percent (30%) of the Company's share capital.
Offering Period	The Offering Period starts on Sunday 1 Jumada Al Awal 1443H (corresponding to 5 December 2021G) and remains in effect for a period of two (2) days through the subscriptions end date on Monday 2 Jumada Al Awal 1443H (corresponding to 6 December 2021G).
Offer Price	[•] SAR per Share.
Ordinary General Assembly	An ordinary general assembly of the Shareholders convened in accordance with the By-laws.
OSCOs	The Rules on the Offer of Securities and Continuing Obligations Issued by the board of the CMA pursuant to its resolution number 3-123-2017 dated 9/4/1439H (corresponding to 27/12/2017G), as amended by resolution number 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G).
Participating Parties	Parties entitled to participate in bookbuilding under the Book-Building Process, namely: • public and private funds that invest in securities listed on the Saudi Exchange, as permitted by the fund's terms and conditions and in accordance with the provisions and limitations stipulated in the Investment Funds Regulations, in compliance with the provisions and restrictions set forth in the Book-Building Instructions; • Capital Market Institutions licensed to deal as a principle, in accordance with the Prudential Rules when submitting the bidding participation application; • Clients of a Capital Market Institutions authorized by the CMA to conduct managing activities in accordance with the provisions and restrictions set forth in the Book-Building Instructions; • Any legal persons allowed to open an investment account in the Kingdom, and an account with the depositary center, including foreign legal persons who are allowed to invest in the market where the shares of an issuer are to be listed, with regards to the conditions of listing companies investments in listed securities stipulated in the Authority's circular number (6/05158) dated 11/08/1435H corresponding to 09/06/2014G based on the Capital Market Authority's board resolution number (9-28-2014) dated 20/07/1435H corresponding to 19/05/2014G; • Government entities, any supranational authority recognized by the Authority, the Exchange, or any other stock exchange recognized by the Authority, or the Securities Depository Center; • Government-owned Companies whether investing directly or through a portfolio manager; and • GCC companies, and GCC funds if the terms and conditions of the fund permit that.
Period ended 31 March 2021G, or the three months period ended 31 March 2021G	Period commencing on 1 January 2021G and ending on 21 March 2021G.
Person	Any natural or juridical person.
Prospectus	This document prepared by the Company in relation to the Offering.
Prudential Rules	The Prudential Rules issued pursuant to the CMA Board Resolution No. 1-40-2012, dated 17/2/1434H (corresponding to 20/12/2012G), as amended.

Term	Definition
Public	Persons other than the following: 1- affiliates of the Issuer; 2- Substantial Shareholders of the Issuer; 3- Directors and Senior Executives of the Issuer; 4- Directors and Senior Executives of the affiliates of the Issuer; 5- Directors and Senior Executives of the Substantial Shareholders of the Issuer; 6- any relative of persons described at (1), (2), (3), (4) or (5) above; 7- any company controlled by any persons described at (1), (2), (3), (4), (5) or (6) above; or The word "control" shall have the meaning ascribed thereto in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority.
QFI or Qualified Foreign Investor	A foreign investor that has been qualified in accordance with the Rules for Qualified Foreign Financial Institution Investment in Listed Securities to invest in listed securities. Qualification Application shall be submitted to a Capital Market Institution to evaluate and approve the application in accordance with the Rules for Qualified Foreign Financial Institution Investment in Listed Securities.
Receiving Agents	The Receiving Agents whose names appear on page viii.
Related Party(ies)	In this Prospectus and pursuant to the Glossary of defined terms used in the regulations and rules of the CMA issued pursuant to the CMA Board Resolution No. 4-11-2004, dated 20/8/1425H (corresponding to 4/10/2004G), as amended pursuant to the CMA Board Resolution No. 2-22-2021, dated 12/7/1442H (corresponding to 24/2/2021G), a "Related Party" includes any of the following: 1- affiliates of the Issuer; 2- Substantial Shareholders of the Issuer; 3- Directors and Senior Executives of the Issuer; 4- Directors and senior executives of an affiliate of the Company; 5- Directors and Senior Executives of Substantial Shareholders of the Issuer; 6- any relatives of persons described at (1), (2), (3), (4) or 5 above; 7- any company controlled by any person described at (1), (2), (3), (4), (5) or 6 above. In (7), "control" has the meaning set out in this Section.
Retail Sector	A distribution channel through which the Company sells products to retail customers, including hypermarkets, supermarkets, superstores, mini markets and baqalas.
Retail Subscription Form	The retail subscription application form to be completed by Individual Investors in order to subscribe for the Offer Shares during the Retail Offering Period.
Sales Branch (Office)	The Company's sales branch in the city of Taif, which does not have a cold store for storing products.
Saudization	Saudization requirements applicable in the Kingdom in relation to the labor market.
Saudization Rate	The percentage of employees within any workforce who are deemed to count towards the level of Saudization within the workforce of any company, including Saudi nationals and persons married to Saudi nationals, with certain categories of persons, such as disabled Saudi national employees, given greater weighting when counted towards the Saudization level.
Saudi Riyal(s) or SAR	Saudi Arabian Riyal(s), the official and legal currency of Saudi Arabia.
Secretary	The secretary of the Board of Directors.
Selling Shareholders	Abdullah Ali Almunajem Sons Company. Al-Kafaa Real Estate Company.

Term	Definition
Senior Executives	Any natural person to whom the governing body of the Company, or a member of the governing body of the Company, has given responsibility, either alone or jointly with others, for management and supervision and either reports to: • the governing body directly; • a member of the governing body; or • the CEO.
SFDA	The Saudi Food & Drug Authority.
Shares	Any fully paid ordinary share of the Company with a nominal value of ten (10) Saudi Riyals per share in the capital of the Company as issued thereby from time to time.
Shareholder(s)	Any holder of shares in the Company.
SKU	A stock keeping unit, or a number assigned to a particular product to identify the price, product options and manufacturer of the merchandise.
Subscriber(s)	Any Participating Party, Individual Investor.
Subscription Form	The Participating Parties Subscription Form used thereby to apply for Offer Shares during the Book-Building Period. Said term includes the appended Subscription Form as applicable upon a price change.
Substantial Shareholder(s)	Any person holding five percent (5%) or more of the Issuer's shares, namely Abdullah Ali Almunajem Sons Company, which owns 99% of the Company's shares pre-offering.
Tadawul, Saudi Exchange or the Exchange	The Saudi Exchange.
SWAP Agreements	Type of agreement through which foreign investors, individual non-Saudis residing outside the Kingdom and registered institutions outside the Kingdom, agree to invest indirectly to acquire the economic benefits of shares by entering into swap agreements with a Capital Market Institution licensed by the CMA.
Underwriter	HSBC Saudi Arabia.
Underwriting Agreement	The underwriting agreement entered into between the Company, the Selling Shareholders and the Underwriter in connection with the Offering.
VAT	Value Added Tax, also known as the goods and services tax.
Wholesale Sector	A distribution channel through which the Company wholesales products to wholesale customers who sell products to restaurants, small retailers, or individual consumers.
Zakat	Zakat imposed on Muslims as the third pillar of Islam under applicable Saudi laws.
ZATCA	The Zakat, Tax and Customs Authority, formerly known as the General Authority of Zakat and Tax.


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2. Risk Factors

Before deciding whether to invest in the Offer Shares, prospective investors are advised to carefully consider all the information contained in this Prospectus, with particular attention to the risk factors described below. These risk factors may not include all the risks that the Company may encounter, and additional risks may exist that are not currently known by the Company, or that may be deemed immaterial but may nevertheless affect the Company's operations.

The Company's business, financial position, results of its operations and forecasts could be adversely and materially affected if any of the following risks arise, which are identified as material, or if any other risks that the Directors have not identified or are currently considered not to be material, actually occur or become material. As a result of such risks or other factors that may affect the Company, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company and/or the Directors expect, or might not occur at all. Investors should therefore consider all forward-looking statements in this Prospectus in light of these explanations and should not place any reliance on the forward-looking statements without performing the needed due diligence (for further details, please refer to Section 11 ("**Declarations**") and Section 16 ("**Company's Post-Listing Undertakings**")).

The Directors also confirm that, to the best of their knowledge and belief, there are no other material risks besides those mentioned in this section, the non-disclosure of which would affect investors' decisions to invest in any Offer Shares as at the date of this Prospectus.

An investment in the Offer Shares is only appropriate for investors who are capable of assessing the risks and merits of such an investment and who have sufficient resources to bear any loss that might result from this investment. Any prospective investor who has any doubts concerning the appropriate action to be taken should consult a financial advisor licensed by the CMA for advice in connection with any investment in the Offer Shares.

The risks and uncertainties described below are not presented in an order that does not reflect their importance, potential occurrence nor anticipated effect on the Company. Additional unknown risks or those deemed to be currently immaterial by the Company may have the impact or consequences described in this Prospectus. Accordingly, the risks set out in this Section, or in any other section hereof, do not purport to be: (a) an exhaustive list of all risks which wouldaffect the Company or its operations, activities, assets or markets in which it operates; and/or (b) an explanation of all the risks involved in investing in the Offer Shares.

2.1 Risks Related to the Company's Operations

2.1.1 Risks related to the overall decline in the number of consumers or levels of consumer spending on the Company's business

The Company's revenues depend on the levels of product and commodity sales to customers. Accordingly, the success of the Company is subject to general risks related to the performance of wholesale and retail sectors as well as the food services. The food manufacturing industry is considered to be a cyclical industry and its underlying sectors are susceptible to volatile levels of demand due to the rapid and occasional unpredictable changes in the behavior of consumers. Such behavioral changes are possibly influenced by the general economic conditions related to levels of disposable income, tax implementations (including VAT, which rose from 5% to 15% on 1 July 2020G), consumer spending (including discretionary spending on foodstuffs and other products), the general confidence in the economy, changes in consumer preferences and demographics.

In addition, the success of the Company's business depends on its ability to maintain a comprehensive and appealing product mix, while anticipating and responding to changes in customer demand levels and preferences in a timely manner. Consumer acceptance of products is affected by a number of factors, including prevailing economic conditions, disposable income, global lifestyle trends, prices, functionality, technology and many other factors. It is also possible that some of the products that the Company offers, including red and white meat products, will not achieve a widespread consumer acceptance or may decrease in demand. Additionally, the success of the Company's operations depends on its continued ability to select products that satisfy consumers' demands.

Fluctuations in the systematic economic factors, such as the availability of credit for consumers, interest rates levels, unemployment rates, salary levels and tax rates, cost of water and electricity consumption, partial or full removal of subsidies provided by the Saudi Arabian government for certain materials, may also affect consumer spending and demand for products offered by the Company, among them red and white meat products. If the Company is unable to respond to market changes, the Company's business, results of its operations, financial position and forecasts would be negatively and materially affected.

2.1.2 Risks related to the Company's reliance on Key Suppliers

The Company's business is based on the sale of food items that it purchases through more than 60 suppliers. In particular, the Company's top 10 suppliers as at 31 March 2021G (identified based on gross purchases) represented 67.1%, 78.3% and 76.8% of the total gross purchases made by the Company for the financial years ended on 31 December 2018G, 31 December 2019G, 31 December 2020G and the period ended 31 March 2021G, respectively, of which France Poultry, a Related Party, accounted for 31.7%, 27.2%, 26.4% and 27.9% of total gross purchases made for the same said years, respectively. (For more information on dealings with France Poultry please see Section 6.6 ("**Management's Discussion and Analysis of the Company's Financial Position**") and Table 4-11 ("**The Company's Key Suppliers**"). France Poultry acquired the largest of three slaughterhouses owned by Doux Poultry, as well as other equipment, stock and trademarks, which led to a decrease in the quantities supplied to the Company from approximately 8.0 thousand metric tons per month to 5.5 - 6 thousand metric tons per month. As a result, the imported quantities of Doux poultry decreased during the post-acquisition period.

If the Company does not maintain its relationships with Key Suppliers or its current privileges provided by these Suppliers, or if any of the other factors described above were to materialize, this would have a material and adverse impact on the Company's business, results of operations, financial position and forecasts. For more information about the Key Suppliers, see Section 4.8.4 ("**Suppliers**").

2.1.3 Risks related to the terms of supply and distribution contracts signed between the Company and certain Key Suppliers

The Company has signed supply and distribution contracts with four out of the ten Key Suppliers; three of the contracts include automatic renewal provisions and all contracts include the right for the Company to have any defective products replaced by the Key Suppliers following their inspection. Moreover, the Company and the Supplier have the right to terminate the contract without cause in two of the contracts. If any one of these Key Suppliers were to terminate or fail to renew its supply agreement with the Company, or renew on less favorable terms for the Company, or when a Key Supplier switches to other distributors (especially because the cost of the transition is low for them) or if any of them decides to reduce the distribution of their products through the Company, this would have a material and adverse impact on the Company's business, results of operations, financial position and forecasts would adversely and negatively be affected. (For more information, please refer to Section 12.5.1.1 ("**Summary of main terms of supply contracts with Key Suppliers**")).

2.1.4 Risks related to the lack of supply and distribution contracts with certain Key Suppliers

The Company does not have formal supply and distribution contracts with six of its ten Key Suppliers and purchases their products on a purchase order and "invoice basis". Therefore, it may be more difficult for the Company to guarantee continued business with those Key Suppliers; as such, the Company may not be able to meet the requirements of its customers in terms of continuing to supply the products and brands that they are accustomed to. The Company's business and its relationship with its customers will be negatively affected, in the event that any of these Key Suppliers terminate their business with the Company in the future or switch to other distributors (especially since the cost of transition is low for them) or decide to distribute their products themselves in the local market or reduce the volume thereof as a result of a lack of supply of a product or changes in strategy or others, as occurred with two Key Suppliers between the two financial years 2018G to 2020G. This would have a material and adverse impact on the Company's business, results of operations, financial position and forecasts.

2.1.5 Risks related to the terms of the Company's relationships with Customers

The Company's relationships with its customers are generally governed by the terms of its account opening forms, which set the customer's credit limit, the payment period, as well as purchase orders sent by customers. Accordingly, the Company's contracts with the majority of its customers do not follow a standard form of contract and the Company generally sells its products based on purchase orders and sale invoices. Therefore, the Company does not have any contractual guarantee of continued business with most customers. To the extent that significant numbers of its customers were to terminate or significantly reduce their volume of business with the Company in the future, because of any issues with a product, their unwillingness to do business, changes in strategy or otherwise, the Company's business, results of operations, financial position and future forecasts would be adversely and materially affected.

The Competition Law issued under the Royal Decree No. (M/75), dated 29/06/1440H (corresponding to 6 March 2019G) (the "**Competition Law**") and the Implementing Regulations thereof, issued by the Board of the General Authority for Competition, under Resolution No. (337), dated 25/01/1441H (corresponding to 24 September 2019G) (the "**Implementing Regulations**"), prohibit practices (including agreements or contracts between entities, whether written or oral, explicit or implicit) with the purpose or effect of which is anti-competitive. A number of the contracts with Supermarkets and Hypermarkets, which are amongst the Key Customers of the Company, provide for rebates granted by the Company when Customers reach certain sale targets. However, the General Authority for Competition has long considered that granting rebates when achieving specific sale targets constitutes a violation of the Competition Law. To the extent that the General Authority for Competition decides to subject the Company to investigations, or if it finds that the Company violates applicable competition regulations, the Company would be subjected to a fine not exceeding 10% of total sales or not exceeding SAR 10 million when estimating annual sales proves impossible.

If the Company does not maintain its contractual relations with its Key Customers or if any of the other foregoing factors described above were to materialize, the Company's business, results of operations, financial position and future forecasts would be adversely and materially affected.

2.1.6 Risks related to the sustainability of the Company's ability to maintain incentives and discounts from Supplier support, market condition, government fees and others

The Company's financial performance, particularly with respect to its profitability, is largely dependent on the purchase prices agreed upon with its suppliers, which are subject to market volatilityand global demand. In particular, the Company' s cost of revenues decreases based on the discounts made under its contracts with its Key Suppliers, including discounts / incentives on purchases. In the future, the level of discounts / incentives may be reduced or subject to fluctuations due to the market conditions. In addition, if the Company is unable to maintain its competitive position in the Saudi food sector, it may not be able to maintain the current commercial terms in connection with its relationship with the suppliers. The financial position of the Company's Key Suppliers may also deteriorate in the future due to a number of factors. In recent years, the economic conditions have been challenging and have negatively affected the food sector in Saudi Arabia; which will result, among other things, in a reduction in demand by customers for food products, which would lead to a reduction in the revenues and profits of the Company. Likewise, in the event that Suppliers are affected by any factor or their financial situation deteriorates, thus affecting their operations and their ability to supply, which will affect global and local demand, and be reflected on the Company leading to a reduction in revenues. If the commercial terms of the discounts / incentives were to change adversely for the Company, or should the Company cease to benefit from any of the competitive advantages, or the negotiation strength it has historically enjoyed with suppliers, the profitability of the Company may be adversely impacted and the Company's business, results of operations, financial position and forecasts would be adversely and materially affected. For more information about discounts / incentives and terms of the Key Suppliers' contracts, please refer to Section 4.8.4.3 ("**Description of typical supply terms and distribution arrangements**") and Section 12.5.1 ("**Key Supply Agreements**").

Product profitability is also affected by the tightening of SFDA regulations, as a result of the increase in the Brazilian poultry supply after compliance with SFDA regulations and the continuation exportation thereof, and as a result of the increase in the average cost of chicken, with a decrease in the average selling price of the product driven by the increased supply of poultry from other countries, and as a result of low market demand due to any boycotts by customers and consumers

The Company's profitability is also affected by the government fees associated with import, such as port and clearance fees, which include the unloading, moving, storing and exit of containers from the port, in addition to customs duties on various items; including Resolution No. 39/C5/D1 dated 19/04/1441H issued by the Board of Directors of the Saudi Ports Authority to amend port service fees as of January 1, 2020G, with an increase of up to 35% for imported materials, which would lead to higher costs for the Company (which the Company estimated will increase the cost of purchases by 0.02% annually). Moreover, failure to comply with the provisions of said regulations may have negative consequences represented in fines or affecting the Company's reputation. Because the Company also depends on external carriers to transport any purchased materials from the ports to its various warehouses, the prices of intercity transportation (or any changes thereto) will thus affect the cost of these materials, which represents a portion of the cost of products, which will negatively affect the Company's operations and supply chains. In addition, the rise in transportation costs for any reasons, will lead to an increase in product costs, which will affect the Company's profitability if the Company is unable to pass on these costs to the final consumer.

The cost of freight, marine insurance and other related items represent a portion of the cost of purchased materials. Any fluctuation in the prices of these services for any reasons related to fuel prices, geopolitical risks, or others will cause the Company's profitability to fluctuate.

2.1.7 Risks related to the Company's expansion strategy

The Company's future performance depends on its ability to implement its expansion strategy as highlighted in Section 4.4 ("**The Company's Strategy**") of this Prospectus.

There can be no assurance the Company will be successful in achieving its strategy, which depends on several factors including, most importantly, the following:

- the Company's ability to successfully expand its existing product portfolio as well as expanding into new product categories across both the Retail and food services sector that successfully meet local consumer preferences while enhancing revenue and profitability;
- the competition that the Company faces from incumbent and new players in its existing and new product segments;
- the Company's ability to seamlessly adapt and cater to changes in consumer behaviors, new marketing strategies, and new business models;
- the Company's ability to maintain its relationships with Key Suppliers and Key Customers and ability to negotiate and reach acceptable terms;
- the Company's ability to appropriately build out its effective distribution channels and supply chains in order to support expansion in its own distribution network;
- the Company's ability to successfully complete its expansion of the Meat Factory branch in Jeddah within its envisaged timeline and budget while commencing production by October 2021G;
- the Company's ability to successfully identify and subsequently integrate any newly acquired businesses from future acquisitions while preserving the Company's operations and culture;
- the Company's ability to hire, train and retain skilled personnel and employees;
- the effectiveness of the Company and its customers' marketing campaigns;
- the availability of sufficient financing (including through the Company's existing cash resources) on acceptable terms;
- the Company's ability to monitor new operations, control costs and maintain effective quality and service control;
- government restrictions, including movement of goods, as a result of the COVID-19 pandemic, or any other causes, that may disrupt the Company's ability to import and distribute its products across the Kingdom;
- introduction of additional government custom duties on imported products relevant to the Company; and
- unfavorable economic, regulatory (including potential SFDA restrictions on products relevant to the Company), and market conditions, which are outside of the Company's control.

As a result of the above factors, the Company's revenues may not grow at the same rate as in the past and / or the Company may incur costs without benefiting from the expected revenues of expansion across existing and new product categories. Accordingly, the Company's results of operations, financial position and forecasts will be negatively affected if any of these factors significantly delay, prevent or hinder the Company from opening and realizing the benefits from any of its new stores. There can be no assurance that the Company's product expansion strategy will be profitable or will achieve its projected investment returns. There is also a cannibalization risk which may arise from the fact that an expansion into one product segment or sub-segment may adversely affect the revenues from the Company's existing product portfolio. In addition, there can be no assurance that the Company will be successful in the implementation of its expansion strategy for manufacturing and processing. Accordingly, the occurrence of any of the above factors would negatively affect the Company's results of operations, financial position and forecasts.

2.1.8 Risks related to the impact of increasing costs and operating expenses on the Company's business

The Company's operating expenses could increase as a result of a number of factors (for more information about the Company's financial and operational performance, see Section 6.1 ("**Management's Discussion and Analysis of the Company's Financial Position**")), including, but not limited to, the increase in the wholesale cost of products ordered from suppliers, labor costs, fuel and utility costs, repair and maintenance costs, insurance premiums, finance costs and costs related to the increase of rents of real estate leased by the Company, among other things.

Volatile food purchase costs will have a direct impact on the Company's profitability. Prolonged periods of product cost inflation also may have a negative impact on the Company's profit margins and earnings to the extent such product cost increases are not passed on to customers as they could resist such increase in prices. Furthermore, the Company's business model requires it to maintain an inventory of products, and changes in price levels during the turnover period would lead to unexpected shifts in demand for the Company's products or could require it to sell inventory at a loss.

It is also worth mentioning that the price of fuel and utilities and labor cost have increased in recent years (for more information, see Section 2.2.4 ("**Risks related to the impact of change of prices for energy, electricity, water and related services on the Company's operating expenses**")). In addition, any further increase in Saudization requirements of the Company's workforce may lead to an increase in the Company's operational expenditure (for more information, see Section 2.2.3 ("**Risks related to the Company's with the Saudization and other Labor Law Requirements**")). The Company's operating expenses amounted to 9.1%, 9.1%, 10.1% and 10.2% of the Company's total revenues for the financial years ended on 31 December 2018G, 31 December 2019G, 31 December 2020G and the period ended 31 March 2021G, respectively. Any increases in the Company's operating costs will also reduce its cash flow, profit margin and funds available to operate the Company's existing branches and for future expansion. In turn, the Company's business, results of operations, financial position and forecasts would be adversely and materially affected.

2.1.9 Risks related to the Company's Related Party Transactions

The Company maintains ongoing and close business relationships with several Related Parties. In particular, the Company entered into contracts / agreements with Related Parties for the supply of products, the lease of a cold store, employee accommodation and office space, the sale of products, the provision of maintenance services and certain shared services.

The total value of purchases from Related Parties amounted to SAR 186,058,995, SAR 504,434,131, SAR 475,493,356 and SAR 113,695,636, or 8.9%, 23.5%, 22.4%, and 22.8% for the financial years 2018G, 2019G, 2020G, and the period ended 31 March 2021G, respectively. The Company's total sales to Related Parties amounted to SAR 48,592,077, SAR 45,296,606, SAR 50,247,982 and SAR 12,674,276 or 1.9%, 1.9%, 2% and 2% for the financial years 2018G, 2019G, 2020G, and the period ended 31 March 2021G, respectively. The Company's total value of rents from Related Parties amounted to SAR 1,324,482, SAR 1,479,153, SAR 2,758,680 and SAR 2,604,000 or of 16%, 19%, 31% and 31% for the financial years 2018G, 2019G, 2020G, and the period ended 31 March 2021G, respectively. The rent charged by Related Parties' to the Company amounted to SAR 1,356,705, SAR 3,306,829, SAR 1,857,628 and SAR 530,236 or 35%, 42.4%, 26.2% and 32% of the total value of rents for for the financial years 2018G, 2019, 2020G, and the period ended 31 March 2021G, respectively. Furthermore, the value of the service level agreement for information technology, rendered by the Company to Related Parties amounted to SAR 2,688,562, SAR 1,919,750, SAR 2,373,999 and SAR 649,647 for the financial years 2018G, 2019, 2020G, and the period ended 31 March 2021G, respectively. Moreover, the net value of the shared services agreement, rendered by the Company to Related Parties amounted to SAR 2,297,353, SAR 4,895,265, SAR 6,532,490 and SAR 1,949,273 for the financial years 2018G, 2019, 2020G, and the period ended 31 March 2021G, respectively. The Company does not provide shared services with parties other than Related Parties. The Company also entered into an agreement with Al Kafaa Real Estate Company on 02/09/2020G to sell assets valued at SAR 14,053,834 not related to the Company's operations and an agreement with Nutrition and Diet Center Company on 04/04/2021G to purchase assets and equipment valued at SAR value of 3,656,268 to operate the Company's meat factory in Jeddah.For a summary of the Company's transactions with Related Parties, see Section 12.7 ("**Related Party Transactions**"). The Company does not make a provision receivables from Related Parties even though said receivables are overdue.

The Company's future success is also dependent on the continuation of its business relationships with Related Parties. The expiry or termination of any material Related Party contract or relationship would adversely and materially affect the Company's business, results of operations, financial position and forecasts. There can be no guarantee that the Company will be able to renew its contracts with such Related Parties when expired. If any such Related Parties do not renew the agreements entered into with the Company, or renew these agreements but under conditions that are not in line with the Company's objectives, this would adversely affect the Company's business. Under Article 71 of the Companies Law, those related party agreements, in which any director is deemed to have an interest, will need to be approved by the General Assembly. It is also required that any director who is deemed to have an interest therein cannot participate in the approval process for such Related Party Transaction(s).

The Company's General Assembly may not agree to the participation of the interested Director, in which case the Director who is deemed to be interested in the transaction must resign, or take steps to ensure that he is no longer deemed to be interested (for example by terminating the relevant contract or disposing of the rights created by such interest). Due to the Company's significant reliance on such contracts with Related Parties, their termination would have a negative and material impact on the profitability of the Company and consequently on its business, results of operations, financial position and forecasts.

2.1.10 Risks related to the regulations, permits, licenses and approvals necessary for the Company's business

The Company is required to obtain and maintain the necessary regulatory permits, licenses and approvals from relevant government authorities for its business operations and activities. These permits, licenses and approvals include, but are not limited to, commercial registration certificates for the Company and its branches issued by the MoC, licenses issued by and registrations made with the SFDA, licenses issued by Saudi Industrial Property Authority (Modon), truck operating licenses from the Public Transport Authority, environmental licenses issued by the National Center for Environmental Compliance (previously, the General Authority of Meteorology and Environmental Protection), trading licenses issued by various municipalities, civil defense permits, membership certificates with the relevant chambers of commerce, trademark registration certificates, Saudization and GOSI certificates in each case relating to the business operations of the Company. See Section 12.4 ("**Government Approvals, Licenses and Certificates**") for further information.

In order to operate a new branch, the Company must obtain various permits, licenses, certificates and other approvals from the relevant authorities. These include, the MOMRAH licenses, civil defense permits, environmental licenses, SFDA warehouse licenses and others. Each approval is dependent on the satisfaction of certain conditions. The Company could encounter problems in obtaining government approvals or in fulfilling the conditions required for obtaining these approvals, or it may not be able to comply with new laws, regulations or policies that may come into effect from time to time with respect to the food sector in general or the particular processes with respect to the granting of approvals.

The Company has obtained licenses from MOMRAH for all of its branches and civil defense permits for the majority of its branches. However, as at the date of this Prospectus, the Company has not obtained civil defense permits for 4 out of its 14 branches (Al Sulay warehouse branch (Riyadh), Riyadh branch (Transport), Riyadh branch (Cleaning), Riyadh branch (Food Service)). Furthermore, one of the Company's branches have expired civil defense permits. For further details about the civil defense permits of the branches of the Company, please refer to Table 12.7 ("**Details of Civil Defense Permits Obtained by the Company's branches**"). The Company also obtained licenses from the Public Transport Authority for most of its trucks that are being used for its business. However, as at the date of this Prospectus, the Company has not obtained truck operating licenses for 40 out of its 660 vehicles.

Additionally, as at the date of this prospectus, the Company has obtained SFDA warehouse licenses for all of its 12 warehouses, except one (Sakakah warehouse branch). For further details about the SFDA warehouse licenses of the branches of the Company, please refer to Table 12.9 ("**Details of SFDA Licenses Obtained by the Company's branches**").

As at the date of this Prospectus, the Company has not obtained environmental licenses or permits from the National Center for Environmental Compliance for 4 of its warehouses (Jeddah warehouse branch, Khamis Mushait warehouse branch, Hail warehouse branch, Sakakah warehouse branch). For further details about the environmental licenses of the branches of the Company, please refer to Table 12.13 ("**Details of Environmental Licenses Obtained by the Branches of the Company**").

Most of the Company's existing licenses are subject to conditions under which they might be suspended or terminated if the Company fails to fulfil and abide by the underlying conditions. Moreover, when seeking to renew or amend the scope of a license, there is no guarantee that the concerned authority will renew or amend the license or that, if it does renew the license, no conditions will be imposed which might adversely affect the Company's performance.

If the Company does not obtain or renew a license necessary for its operations, or if any of its licenses expires or is suspended, or renewed under unfavorable conditions to the Company, or if the Company is unable to obtain additional licenses required in the future, the Company will be required to cease carrying on its business totally or partially or will be subject to fines issued by the relevant governmental authorities, including fines up to SAR 30,000 from the civil defense or SAR 5,000 from MOMRAH for each infringing location. Additionally, the Company may be subject to sanctions issued by the SFDA and by the National Center for Environmental Compliance, if it does not obtain an environmental license or permit, prior to operating its 12 warehouses, including fines potentially imposed by the National Center for Environmental Compliance, amounting to SAR 20,000,000, or the suspension of the license or permit for a period not exceeding six months for each infringing branch, or the cancellation of such license or permit. This would interrupt or delay the Company's operations and cause the Company to incur additional costs, and would adversely and materially affect the Company's business, results of operations, financial position and forecasts.

2.1.11 Risks related to maintaining the Company's image and reputation

The Company believes that its success depends in part on its ability to maintain the image and reputation of its brands for providing high-quality products for its customers. For more information relating to the Company's brands, please refer to Table 12-31 ("**Details of Expired Registered Brands**"). Though the Company does not own or have control over the producers of these items, the reputation of the Company's brands might be negatively impacted by actions of these producers, which are unpopular with customers, such as the discontinuation or alteration of a particular product. In addition, quality and health and safety issues (or any accidents at the Company's branches), actual or perceived, even when false or unfounded, could damage the reputation of the Company or may cause its customers to switch to competitors resulting in a loss of customers, in turn leading to a decline in the Company's market share and revenues.

Furthermore, adverse publicity relating to activities by the Company's Board, shareholders, management, Related Parties, suppliers, employees, contractors or agents, such as customer service mishaps or non-compliance with laws and regulations, could tarnish the reputation of the Company's brands. With the increase in the use of social media, adverse publicity can be disseminated quickly and broadly, making it increasingly difficult for the Company to effectively respond. Damage to the reputation of the Company and its trademarks could lead to a decrease in the demand for products, which would adversely and materially affect the Company's business, results of operations, financial position and forecasts.

2.1.12 Risks related to quality or health problems associated with the Company's products

Concerns regarding the safety of products stored at the Company's branches or the safety and quality of the Company's supply chain could cause the Company's customers to avoid purchasing certain products from the Company, or to seek alternative sources. For instance, retailers, wholesalers or food services customers that purchase the Company's products may not adhere to the Company's storage requirements for the products to ensure their quality. Adverse publicity about these concerns, whether or not ultimately based on factual assertions, could discourage customers from buying the Company's products and have a material and adverse effect on the Company's business, results of operations, financial position and forecasts. In addition, the Company's operational controls and employee training may not be effective in preventing food-borne illnesses, food tampering and other food safety issues (including the risk of failure to detect expired food items from suppliers) that would affect its operations.

In addition, the products that the Company distributes may be subject to product recalls, including voluntary recalls or withdrawals, if they caused injury or illness or if they are alleged to have been mislabeled, misbranded, or adulterated or to otherwise be in violation of governmental regulations. The Company may also voluntarily recall or withdraw products that it considers do not meet its quality standards, whether for taste, appearance, or otherwise, in order to protect its brand and reputation. If there is any future product withdrawal that could result in substantial and unexpected expenditures, destruction of product inventory, damage to the Company's reputation, and lost sales due to the unavailability of the product for a period of time, the Company's business, financial position, or results of operations would be materially adversely affected.

Incidents related to the safety and quality of the products or ingredients displayed in the products may occur in the future, which would result in product liability claims, product recalls, negative publicity, fines from the SFDA, the Saudi Industrial Property Authority (Modon) and MOMRAH or closure of the branches, and materially and adversely affect the Company's reputation, business, financial position and results of operations.

2.1.13 Risks related to the Commercial Agencies Law

The Company has entered into distribution agreements with 4 of its Key Suppliers (For more information, please refer to Section 12.5.1 ("**Key Supplier Agreements**"). Distribution agreements are subject to the Commercial Agencies Law issued by Royal Decree No. M/11 dated 20/02/1382H (corresponding to 21/7/1962G) as amended ("**Commercial Agencies Law**").

Under the Commercial Agencies Law, any company engaged in commercial agency activities must have a board of directors consisting exclusively of Saudi members. Although no fines are specified for violating said provision, the Commercial Agencies Law imposes a fine ranging from SAR 5,000 to SAR 50,000 for any violation of the provisions of the Commercial Agencies Law. In addition, the Ministry of Commerce has the right to request that all members of the Board of Directors be Saudi nationals.

Saudi commercial agents must register all agency and distribution agreements with the Ministry of Commerce within three (3) months from the date of inception trhereof, but registration (or lack thereof) is not a condition for the agreement to become effective in the Kingdom. Registration provides a privileged position to the commercial agent that would not have been granted in the absence thereof and facilitates dealing with government agencies in relation to issues including compliance with the requirements of the Saudi Standards, Metrology and Quality Organization or other government requirements, or in the event of trademark infringement and other intellectual property rights, but it also imposes some other obligations on the commercial agent, such as ensuring product quality. The responsibility for registering any commercial agency agreement with the Ministry of Commerce and paying non-compliance fines rests with the Saudi commercial agent and not the foreign party. None of the supply and distribution agreements concluded between the Company and Key Suppliers have been registered with the Ministry of Commerce. Therefore, the Ministry of Commerce has the right to impose fines on the Company ranging from SAR 5,000 to SAR 50,000. This would affect adversely and materially the Company's business, results of operation, financial position and forecasts.

2.1.14 Risks related to protecting Company trademarks

The Company has registered 14 trademarks in Saudi Arabia on which it relies, details of which are set out in Section 12.10.1 ("**Trademarks**"). As at the date of this Prospectus, the Company is currently in the process of transferring the ownership of three trademarks registered with AAA (the Substantial Shareholder) to the Company, and is also taking steps to register two trademarks. In the event the Company is unable to register or renew its trademarks, or in the event a third party objected to the registration of a trademark, this would negatively and materially affect the Company's operations, results of operation, financial position and forecasts. The competitive position of the Company depends on its ability to continue using such trademarks and to protect its rights related to such trademarks against any illegal use of such trademarks by third parties.

In the event the intellectual property rights related to the Company's trademarks are infringed, including as a result of unauthorized use or a failure to protect such rights by the competent authorities in accordance with the regulations of the relevant countries, it may face costly litigation and the diversion of technical and management personnel. Furthermore, the outcome of a dispute may require the Company to enter into royalty or licensing agreements, which may not be available on terms favorable to the Company, or at all. Any of the above would have a material adverse effect on the Company's business, results of operations, financial position and forecasts.

2.1.15 Risks related to operational and unexpected interruptions to the Company's business

The Company's success depends significantly on the continuous, trouble-free operation of its branches and Fleet. The operation of the Company's branches and Fleet is prone to a number of risks, including severe weather conditions, physical damage to buildings, power failures, breakdowns, failure or substandard performance of equipment and vehicles, the possibility of work stoppages, criminal incidents, civil unrest, natural disasters, fires, operational errors, mechanical failures, general increase in road traffic in general, or any disruption or delay in the ports or various shipping services in general, in addition to other potential hazards associated with operating branches and Fleets. The occurrence of any of these or similar incidents would cause a significant disruption to the Company's business, which would affect adversely and materially the Company's business, results of operation, financial position and forecasts.

Furthermore, products may not be delivered to the Company's branches due to a number of reasons, for instance government restrictions to protect public health such as curfews or bans impacting Company delivery drivers, or failure to suitably apply the Labor Law at the Company's branches, or poor handling, or traffic jams, etc.; any of which could lead to delays or non-receipt of products and inventory damage, leading to supply chain disruptions of such products, which would negatively and materially affect the Company's business, profitability and reputation. In the event of supply chain disruptions, the Company's revenues may decrease as a result of losses or cancellations of key orders due to the lack or unavailability of certain products requested by customers. These events may affect product availability and stock management where such products are sold or used, which would reduce sales or increase costs. This would adversely and materially affecting the Company's business, results of operations, financial position and forecasts.

In addition, product profitability is also affected by the tightening of SFDA regulations, as a result of the increase in the Brazilian poultry supply after compliance with SFDA regulations and the continuation exportation thereof, and as a result of the increase in the average cost of chicken, with a decrease in the average selling price of the product driven by the increased supply of poultry from other countries, and as a result of low market demand due to any boycotts by consumers.

If there were a significant interruption of operations at one or more of the branches or of its Fleet, the Company's revenues and profitability would be affected, which would adversely and materially affect the Company's business, results of operation, financial position and forecasts.

2.1.16 Risks related to the outbreak of an infectious disease or other serious public health concerns, including the continuing global spread of COVID-19

The outbreak of an infectious disease, such as Middle East Respiratory Syndrome (MERS), H1N1, SARS and, most recently, the Novel Coronavirus (COVID-19) in the Middle East and /or elsewhere would have a materially negative impact on the Kingdom's economy and business operations of the Company. Since late December 2019G, there has been an outbreak of COVID-19, first in China and then globally. COVID-19 is an infectious disease caused by a highly contagious virus causing respiratory infection and other symptoms such as fever, cough and shortness of breath.

Following the outbreak of COVID-19, governments in numerous countries have implemented travel restrictions and/or mandatory quarantine measures on international travelers and, in many cases, on residents within cities, regions or provinces of certain countries. The Saudi Government implemented a range of containment measures in response to the outbreak many of which have since been lifted as the levels of infections have decreased. In the event that the spread of COVID-19 in Saudi Arabia increases again, it is possible that the Saudi Government could again implement certain containment measures, which could include:

- the temporary suspension of visas to foreign religious tourists intending to visit Makkah and Madinah for Hajj and Umrah;
- the temporary restriction on all Saudi residents Hajj and Umrah pilgrims from visiting Makkah and Madinah;
- the temporary suspension of all flights (international and domestic) and inter-urban bus, taxi, and train service;
- the temporary suspension until further notice of travel between regions and cities within Saudi Arabia;
- the suspension of attendance at workplaces in all government agencies, except for the health, security, and military sectors, as well as the National Cyber Security Center;
- the temporary suspension of attendance in the private sector, with the exception of vital sectors, such as health and food;
- full curfew in all cities of Saudi Arabia (where there is a concentration of cases), including Makkah, Madinah, Riyadh and Jeddah;
- the closure of all public spaces except as otherwise formally directed (including entertainment venues and malls) in the Kingdom; or
- full or partial curfews in a number of cities and regions of the Kingdom.

In the event that there was a further increase in the spread of COVID-19, it is difficult to estimate the potential impact that this might have on the Kingdom's economy and the business operations of the Company. Furthermore, there can be no assurance that any containment measures (such as those outlined above) would be effective in stopping or curtailing future outbreaks in the Kingdom. Moreover, it is likely that any containment measures (such as those outlined above) would have a material and adverse effect on the Saudi economy and investor and business confidence to an extent difficult to predict. This would, in turn, materially and adversely affect the Company's business, results of operation, financial position and forecasts.

Any future outbreak of COVID-19 in Saudi Arabia or elsewhere, could subject the Company to business continuity risks. In particular, the supply of certain international products purchased by the Company could be suspended, delayed or otherwise adversely affected from relevant suppliers based in materially affected countries, including in Latin America and several European countries. In addition, if any of the Company's Directors, Senior Executives or other employees contract COVID-19, the Company's operations would be required to be temporarily suspended and/or the affected individuals would be subject to quarantine. This would, in turn, disrupt the normal operations of the Company's business, which would have a material adverse impact on the Company's business, results of operation, financial position and forecasts.

Notwithstanding the above, during financial year 2020G, the Company's results were not significantly affected as a result of curfews (which Saudi Arabia witnessed between March and June of the same year). Instead, the mix of sales channels during the same period changed to retail sales as a result of increased buying by consumers, while food service sector sales decreased when restaurants were closed due to the precautionary measures imposed at the time. Revenues for financial year 2020G amounted to SAR 2,538.5 million, achieving YoY growth of 4.9%, which was driven by the increase in the average selling price of products, as the Company reduced promotional offers in supermarkets during the same period. The Company's net income improved from SAR 109.2 million in financial year 2019G to SAR 229.7 million in 2020G. Net income decreased from SAR 75.7 million in the three-month period ended March 31, 2020G to SAR 29.5 million in the three-month period ended March 31, 2021G.

It is not possible to assess the ramifications of the COVID-19 pandemic with certainty, either in terms of how long they may last or more specifically in terms of the impact thereof on the Company's business. In the long term, it may include negotiating new prices with customers and/or suppliers, customer and end-consumer behavior with regard certain products in relation to the importance of purchasing, or other fundamental changes in the Company's business model that would affect the Company's profitability.

2.1.17 Risks related to inventory levels

The Company had a total inventory (net of provisions) of SAR 345.45 million, SAR 391.81 million, SAR 419.99 million and SAR 459.59 representing 35.7%, 38.3%, 39.3% and 39.5% of the Company's total assets as of 31 December 2018G, 31 December 2019G, 31 December 2020G and the period ended 31 March 2021G, respectively. The Company does not have an allowance policy for damaged inventory, as the Company records the actual damage on a monthly basis to review stock control methods and procedures periodically based on the inventory management system that tracks the expiration date of each item and through internal stock checks, in order to reduce damaged quantities. The value of damaged and expired goods that were discarded during the previous years amounted to SAR 7.9 million, SAR 8.1 million, SAR 9.3 million and SAR 3.1 million for the years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period ended 31 March 2021G, respectively, representing 3.3%, 2.9%, 2.9%, and 1.1% of the total value of merchandise inventory and 0.38%, 0.38%, 0.40% and 0.62% of total Company purchases for FY2018G, FY2019G, FY2020G and the period ended 31 March 2021G, respectively.

If the Company is not able to maintain optimal stock levels and monitor inventory periodically, this will lead to a severe decrease or an excess in inventory levels, leading to the Company's inability to meet consumer requirements, or sell products, which would adversely and materially affect the Company's business, results of operations, financial position and forecasts.

2.1.18 Risks related to the adoption of amendments to international accounting standards or the implementation of new International Accounting Standards (IFRS) in the future and its impact on the Company

The impact of the transition from the recognized international accounting standards (IFRS) to amended or new International Accounting Standards could result in the previous financial statements of the Company not being easily comparable from period to period. In particular, financial statements of the Company for financial years and periods commencing after 31 December 2020G prepared and presented in accordance with the new IFRS may not be easily comparable to the prior financial periods contained in this Prospectus that have been prepared and presented in accordance with the current IFRS. This would adversely and materially affect the Company's business, results of operations, financial position and forecasts.

2.1.19 Risks related to the fluctuation of currency exchange rates

The Company imports most products from suppliers outside the Kingdom in foreign currency (primarily in US Dollar). Imported purchases represent 85.7%, 82.1% and 78.2% of the total gross purchases by the Company for the years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period ended 31 March 2021G, respectively. As part of the Kingdom's policy, the Saudi Riyal is, as at the date of this Prospectus, pegged to the US dollar at an exchange rates of SAR 3.75/USD 1.00. However, there is no guarantee that the Saudi Riyal will remain stable against the US Dollar. Any deflation of the Saudi Riyal against foreign currencies (including the US Dollar) will lead to an increase of the operating costs of the Company. If the Company is unable to pass on any increases in operating costs caused by the deflation of the Saudi Riyal to customers through higher prices, this in turn would adversely and materially affect the Company's business, results of operations, financial position and forecasts.

2.1.20 Risks related to the Company's reliance on its senior management and key personnel

The Company's success depends upon the continued service and performance of its senior management and other key personnel, as well as its ability to identify, hire, develop, motivate and retain qualified personnel in the future. The Company relies on a number of key individuals in its senior management team, who have valuable experience within the food sector and who have made substantial contributions to the development of the Company's operations and expansion. Competition for senior management and key employees in the food sector is intense, and the Company cannot guarantee that it will be able to retain its personnel or attract new, suitably qualified personnel, including for the following vacancies as at the date of this Prospectus: Investor Relations Officer and Compliance Officer. In addition, the Company has in the past relied on the Substantial Shareholder, who has supported the Company and Management through its food sector insights and knowledge of the sector. The Company may not be able to continue to benefit from the Substantial Shareholder's extensive experience and understanding of the Saudi market, and failure to benefit from the experience or presence of the Substantial Shareholder or any of the experienced senior management personnel will materially and adversely affect the Company's business, results of operations, financial position and forecasts.

The Company may need to invest significant financial and human resources to attract and retain new senior management members and / or employees. The loss of the services of members of the Company's senior management or key employees could prevent or delay the implementation and completion of its strategic objectives, divert management's attention to seeking certain qualified replacements or adversely affect its ability to manage its business effectively. Each member of senior management, as well as key employees, may resign at any time. If the Company loses the ability to hire and retain key senior management and employees with high levels of skills in appropriate domains, this would materially and adversely affect the Company's business, results of operations, financial position and forecasts.

The Company's senior management or key personnel could behave in a manner which negatively impacts the Company's business, including through misuse of information or systems, disclosure of confidential information, or disseminating misleading information. Additionally, the Company may not always be able to prevent its senior management and key personnel from committing any gross misconduct or ensure compliance with internal regulations and policies of the Company, which would result in losses, fines or financial liabilities for the Company, or cause harm to the Company's reputation and would adversely and materially affect the Company's business, results of operations, financial position and forecasts.

2.1.21 Risks related to the requirements of non-Saudi employees and Labor Law

Under the Saudi Labor Law, foreign employees are only permitted to work for the corporate entity which sponsors them in Saudi Arabia. The Company employs 2 non-Saudi employees who are sponsored by other Related Parties, with the Company currently undertaking required procedures to transfer the sponsorship thereof. The fees for transferring employees from one company to another are between SAR 2,000 and 6,000 (depending on the number of times an employee has transferred his sponsorship in the past). As at 31 March 2020G, the Company had 1,832 employees, of whom 16.7% were Saudi citizens, and 527 employees under the sponsorship of manpower supply companies from third parties and Related Parties, who carry out work within the Company after obtaining an Ajeer notice (for more information on the employees sponsored by recruiting companies, please refer to Section 4.8.12 ("**Employees**")).

The penalties for entities seconding foreign employees under their own sponsorship to another entity without an Ajeer notice include, for a first-time violating entity, a fine of SAR 25,000 for each employee working in violation of the law and a ban on recruiting foreigners for a period of one year. The penalties increase in case the Company or the branch repeats the violations to include higher fines of up to SAR 100,000 for each employee working in violation of the law and a potential recruitment ban for two to five additional years, among other things. The status of certain foreign employees of the Company could result in losses, fines or financial liabilities for the Company, and would adversely and materially affect the Company's business, results of operations, financial position and forecasts. Transferring the sponsorship of employed foreign employees from one company to another or the secondment thereof through the Ajeer program adversely affects the Saudization rate of the company from which employees were transferred or seconded, which would affect its classification in the Nitaqat program (for more information about Saudization and the Nitaqat Program, please refer to Section 4.9 "**Saudization**").

In addition, under the Saudi Labor Law, each foreign employee must carry out the job function stated on his / her Iqama. As at the date of this Prospectus, 81 Company employees are foreign nationals not carrying out the job function on their Iqama. The penalties for entities hiring employees whose actual job function does not correspond with the job function appearing on their Iqama include, for a first-time violating entity, a fine of SAR 25,000 for each employee working in violation of the law, a ban on recruiting foreigners for a period of one year and these penalties increase in case of repeated violations. The status of certain foreign employees of the Company could result in losses, fines or financial liabilities for the Company, and would materially and adversely affect the Company's business, results of operations, financial position and forecasts.

2.1.22 Risks related to the Company's current debt arrangements

The company has entered into financing facilities (Murabaha and Tawarruq) with SABB on January 07, 2021G for SAR 180,000,000, and a credit facility for receibales on June 8, 2021G for SAR 20,000,000, as well as financing facilities with Banque Saudi Fransi ("**BSF**") on November 23, 2020G for SAR 220,000,000, and financing facilities with the Saudi National Bank ("**SNB**") on December 13, 2020G for SAR 460,000,000 (the "**Finance Documents**") (for more details in relation to these facilities, please refer to Section 12.8 ("**Credit Facilities and Loans**")). The financing agreements require obtaining the approval of the bank (the grantor of the financing facilities) to change the ownership structure of the Company, and the Company has obtained the required approvals for said change, including the offering and listing of its shares.

There are a number of provisions in the finance documents which grant unrestricted termination rights to the banks, together with unilateral amendment rights such as the right to amend any provisions of the finance documents, amend, cancel, or reduce the facilities, amend the relevant rates and demand repayment of all outstanding amounts regardless of the occurrence of an event of default. In addition, the banks have broad set off rights against the Company's accounts and assets, which may affect the Company's available cash flow should a bank choose to exercise their set-off rights (and, together with broad cross-default provisions and obligations for the Company to provide additional security and/or sign additional guarantees or order notes, as well as provisions that restrict the Company from disposing of its property or obtaining other financing.

In addition, Abdullah Ali Almunajem Sons Company (the Substantial Shareholder) has issued guarantees in favor of the banks (the "**Guarantees**") (for more details in relation to these facilities, please refer to Section 12.8 ("**Credit Facilities and Loans**")) to guarantee the obligations of the Company to such banks. It should be noted that the relevant banks will be asked, post offering, to exclude said guarantees provided by the Substantial Shareholder. The Finance Documents include 'on demand' facilities, therefore, Guarantees may be called upon at any time by the relevant banks which will affect the financial position of Abdullah Ali Almunajem Sons Company, and in turn, reflect on the Company's financial position.

In the event of non-compliance with any provisions set out in this risk factor, the relevant bank would have the right to take any steps to preserve its rights such as accelerating the payment of the amounts due, terminate the facilities and demand guarantees. In the event that the banks decide to raise the cost of financing due to the termination of the guarantees provided by the Substantial Shareholder, this would have a material adverse effect on the Company's business, results of operations, financial position and forecasts. The Company may also not be able to obtain alternative sources of financing to repay such debts.

2.1.23 Risks related to the Company's implementation of a newly adopted corporate governance manual

The Board approved a corporate governance manual on 24/07/1442H (corresponding to 08/03/2021G), which includes rules and procedures related to corporate governance derived from the Corporate Governance Regulations issued by the CMA. The Company's success in properly implementing of the corporate governance rules and procedures will depend on the extent of the comprehension and understanding of these rules as well as the proper execution of such rules and procedures by the Board, its committees and Senior Executives, especially with regards to formation related to the Board and its committees thereof, independence requirements, rules related to conflict of interests and Related Party Transactions.

Article 23 of the Corporate Governance Regulations also requires the adoption of a written and detailed policy defining the powers delegated to the executive management and a table clarifying such powers. On 24/07/1442H (corresponding to 08/03/2021G), the Company's board of directors adopted and approved draft authority tables governing the specialization and delegation of powers and authorities between the Board and the Senior Executives. Failure to comply with the governance rules, especially the mandatory rules that have derived from the Corporate Governance Regulations issued by the CMA, would subject the Company to regulatory penalties and would adversely and materially affect the Company's business, results of operations, financial position and forecasts.

On 24/07/1442H (corresponding to 08/03/2021G), the Ordinary General Assembly of the Company formed the Audit Committee, consisting of three non-executive members. The Board of Directors formed the Nomination and Remuneration Committee on 27/07/1442H (corresponding to 11/03/2021G) (see Section 5.2 ("**Board Committees**")). Failure by members of these committees to perform their duties and adopt a work approach that ensures protection of the interest of the Company and its Shareholders may affect corporate governance compliance, the continuous disclosure requirements and the Board's ability to monitor the Company's business through these committees, which would have a material adverse effect on the Company's business, financial position, results of operations and forecasts.

In view of the recent formation of these committees and the Company's internal governance system, the fact that such committees have not yet been able to convene since their formation, the recent appointment of an internal audit department, and the recent appointment of independent members, any future inability of such committee members and independent members to carry out the tasks assigned thereto and follow a work methodology that ensures the protection of the interests of the Company and its Shareholders, may affect the implementation of Governance regulations and the efficiency of the Company's Board of Directors control over the management of its business through such committees. This may expose the Company to potential non-compliance with continuous disclosures after listing requirements on the one hand, and to operational, administrative and financial risks on the other hand. Consequently, this would have a negative and material impact on the Company's business, results of operations, financial position and forecasts.

2.1.24 Risks related to management's lack of experience in managing a publicly listed company

The Senior Executives have limited or no experience in managing a public listed joint stock company in the Kingdom and complying with the laws and regulations pertaining to such companies. In particular, the internal and / or external training that the Senior Executives will receive in managing a Saudi Arabian publicly listed company, coupled with the regulatory oversight and reporting obligations imposed on public companies, will require substantial attention from the Senior Executives, which may divert their attention away from the day- to-day management of the Company. Non-compliance in a timely manner with the regulations and disclosure requirements imposed on listed companies will expose the Company to regulatory sanctions and fines. The imposition of fines on the Company would have a material adverse effect on the Group's business, financial position, results of operations or forecasts.

2.1.25 Risks related to reliance on supply and support from third party service providers

The Company relies on shipping companies and third party companies in securing delivery of products to its branches. The Company is also dependent on the services of various other third party service providers for its operations in Saudi Arabia, including vehicle leasing and, to a limited extent, maintenance of refrigerators, branches and its Fleet.

Consequently, the ability of the Company to provide reliable, low-cost delivery or products to customers would be adversely affected by changes in policies and practices such as pricing, payment terms, scheduling, and frequency of such services or increases in the cost of fuel, taxes and labor, and other factors that are not within the Company's control. In addition, the Company substantially relies on outsourced employees from a number of manpower companies for various operations and maintenance requirements. Any unforeseen changes to the aforementioned factors would have a material adverse effect on the Group's business, financial position, results of operations or forecasts.

Further, there can be no guarantee that the Company's third-party service providers will always provide satisfactory services that meet the standards expected by the Company or that other professional advisors which are not within the control of either the Company and / or its Board will adequately perform their contractual duties. Moreover, the Company is exposed to the risk of actions resulting from third-party providers' actions causing damage or injury to members of the public and / or employees of the Company, in which case the Company may be held liable in such situations and subject to a claim for compensation. This would have a material adverse effect on the Company's business, results of operation, financial position and forecasts.

Further, the loss of any third party service contracts, any inability to renew them or any inability to negotiate suitable replacement contracts would result in an adverse effect on the Company. The Company is also at risk should one of these service providers cease operations, and there is no guarantee that the Company could replace these providers on a timely basis with comparably priced providers, or at all. This would have a material adverse effect on the Company's business, results of operation, financial position and forecasts.

2.1.26 Risks related to accidents and injuries resulting from the Company's operations

The Company operates a large Fleet and there is a risk that drivers could be involved in accidents causing fatalities, as a result of driver error, adverse weather conditions, mechanical failure, a general increase in road traffic or other unforeseen circumstances. The Company is also exposed to a number of risks related to accidents involving the transportation and storage of goods and the use of heavy-duty equipment.

If any technical or human errors or negligence occur in relation to the operations of the Company, such faults could cause damages to property, shipments or equipment or loss of life. If the Company is found to be liable for such faults, whether intentionally or unintentionally, then this might lead to legal proceedings, the suspension of the Company's business, the closure of certain facilities, withdrawal of the licenses issued by the relevant authorities or actions filed against the Company, which could result in the payment of financial compensation that might not be fully covered by insurance. If any of the above risks occur, this would have a material adverse effect on the Company's business, results of operations, financial position or share price, which would, in turn, have a material adverse effect on Subscribers' anticipated returns, or result in the loss of all or a portion of their investment in the Company.

2.1.27 Risks related to the adequacy of insurance coverage

The Company maintains insurance policies covering its motor vehicles, all risk property, general third party liability, theft of cash amounts, fidelity guarantee, and land transportation (for more information about insurance policies maintained by the Company, see Section 12.9 "**Insurance**"). There is no guarantee that these insurance policies will be adequate at all times and in all circumstances, or that the limit of insurance coverage will be sufficient in all events to pay for the claims relating to the insured risks. The Company might not be able to successfully substantiate its claim with regard to a certain liability or loss according to the insurance policies in effect because of the exclusions or conditions of insurance coverage, or if the Company has not met certain insurance criteria in respect of a particular claim. This would cause the Company to be liable for paying for accident related losses, which would also have a material adverse effect on the Company's business, results of operation, financial position.

Future events might occur for which the Company might not have adequate insurance coverage to cover all potential losses, or might not be insured against it at all, such as risks resulting from acts of aggression, political risks, war and sabotage. In addition, the Company's present insurance policies contain coverage exclusions or limitations. The current insurance policies might also be unavailable in the future. Accordingly, the losses and liabilities resulting from entirely uninsured or insufficiently insured risks could significantly increase the Company's costs, which would have a material adverse effect on the Company's business, results of operation, financial position and forecasts, and would also have a material adverse effect on Subscribers' anticipated returns, or result in the loss of all or a portion of their investment in the Company.

2.1.28 Risks associated with interruptions in the Company's IT network or cloud systems

The provision and application of IT is an important competitive factor in the distribution industry. The Company's ability to attract and retain customers, to accurately monitor its operations and costs, and to compete effectively depends upon the sophistication and reliability of its IT network and availability of its cloud services, and, in particular, its bespoke IT management system for tracking all transactions completed at the Company's branches.

External and internal risks, such as malware, code anomalies, attempts to penetrate the Company's networks, unavailability of required updates or modifications, data leakage and human error all pose a direct threat to the Company's services and data. The Company's networks may also be subject to interruption due to unforeseen "force majeure" events or power outages. These types of adverse events could also occur in the event the confidentiality, integrity or availability of Company and customer information is compromised due to a data loss by the Company or a trusted third party. Additionally, the cost and operational consequences of implementing further upgrades to the Company's IT systems and networks, and data or system protection measures, whether due to expansion, upgrades, new technology, new laws and regulations, or otherwise, could be significant.

The Company's facilities and systems, or those of third-party service providers, may be vulnerable to security breaches, acts of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human errors or other similar events. Because such attacks are increasing in sophistication and change frequently in nature, the Company and its third-party service providers may be unable to anticipate these attacks or implement adequate preventative measures, and any compromise of the Company's systems, or those of its third-party service providers, may not be discovered and remediated promptly, which could result in a loss of data. A security breach, act of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human error made by the Company's employees may lead to a breach of consumers, employees' and customers' data privacy and security. Any such breach may result in a divulgence of such data to third parties against the will of all affected parties, which could undermine the privacy of such parties and result in reputational harm to the Company. In addition, this could adversely affect the Company's performance due to judicial proceedings or claims initiated against the Company in case it defaulted in preserving the safety and confidentiality of data and in ensuring compliance with the relevant controls on disclosing data in an accurate and timely manner via the appropriate channels. Any such breach or other similar event may also lead to a change of current and potential consumers behavior in a way that would impact the Company's ability to retain current members or attracting new members, which would materially and adversely affect the Company's business, financial position, internal operations (e.g. logistics, inventory and management), results of operation and forecasts.

Any disruption to the internet or the Company's IT systems and/ or technology infrastructure, including those impacting the Company's computer systems and website, or the occurrence of any of the aforementioned risks, would have a material adverse effect on the Company's business, results of operations, financial position and forecasts.

2.1.29 Risks related to the litigation involving the Company

The Company, its Directors and / or its officers may become involved in lawsuits and regulatory actions with parties including suppliers, employees, competitors, customers, regulatory authorities, consumers or owners of lands leased to the Company for its operations.

Any unfavorable outcome in such litigation and regulatory proceedings could have a material adverse effect on the Company's business, financial positoin, results of operations or forecasts. In addition, regardless of the outcome of any litigation or regulatory proceedings, these proceedings will result in substantial costs and may require that the Company devote substantial resources to defend against these claims, which would have a material adverse effect on the Company's business, results of operations, financial position and forecasts.

2.1.30 Risks related to Government fees applicable to non-Saudi employees of the Company

The Saudi government approved a number of resolutions aimed at implementing comprehensive reforms in the Saudi labor market by imposing additional charges on every non-Saudi employee who works in the Saudi private sector. The resolutions came into effect on 14/04/1439H (corresponding to 01/01/2018G). Since 2018, the fees to renew a foreign national employee's work permit increased from approximately four thousand eight hundred Saudi Riyals (SAR 4,800) per employee to approximately nine thousand six hundred Saudi Riyals (SAR 9,600) per employee per Hijri year. The fees to renew a foreign national employee's residency permit (iqama) increased from SAR 600 to SAR 650 per Hijri year. The work and residency permit renewal fees incurred by the Company amounted to SAR 6.07 million, SAR 7.39 million, SAR 10.1 million and SAR 2.1 million for 2018G, 2019G, 2020G and the period ended 31 March 2021G, respectively.

In addition, the levy on a foreign national employee's dependents increased year on year from SAR 100 per month in 2017G to SAR 400 per month in 2020G per dependent. Generally, this fee is borne by the foreign national employee (although we are aware than a number of employer's reimburse the employee these costs.) The increase in the dependents fees has resulted in higher living costs. This will result in non-Saudi employees seeking jobs in other countries with lower living costs, which will render it difficult for the Company to retain its non-Saudi national employees, and would in turn affect the Company's ability to maintain its employee base. (For further details, please refer to Section 4.8.12 ("**Employees**")). Consequently, high government fees and the difficulty of maintaining non-Saudi employees and foreign workforce will have an adverse effect on the Company's business, results of operations, financial positionand forecasts.

The Company will incur additional government fees related to the issuance and renewal of residence permits of non-Saudi employees, resulting in higher financial liabilities of the Company. Consequently, high government fees and the difficulty of maintaining non-Saudi employees and foreign workforce will have an adverse effect on the Company's business, results of operations, financial position and forecasts.

Moreover, the increase in government fees applied to non-Saudi employees has led to a decrease in the number of non-Saudi residents in the Kingdom. This decline will adversely affect the Company's customers in the Kingdom and the demand for the retail market, which will in turn have an adverse effect on the food sector and the Company's business. Specifically, this will negatively impact the prices and profitability of the Company and adversely affect the Company's results of operations, financial position and forecasts.

2.1.31 Risks related to increases in prices charged by food and non-food producers

Should prices for food related commodities increase in the future, there can be no assurance that the Company will be able to successfully absorb such price increases. If prices at which the Company purchases products from its suppliers increase, the Company may need to pass on all or a large portion of these additional costs to its customers to be able to maintain the Company's margins. However, the Company may be unable to increase the selling price of its products to fully or partially offset the price increases by the Company's suppliers, particularly if the Company's main competitors choose not to implement such price increases.

In addition, it is possible that local market conditions in Saudi Arabia may require the Company to lower the prices of its products. Accordingly, in the event of increased fluctuations in the prices of commodities on the global food commodity market arising from global supply and demand factors or as a result of any other factors, there is a possibility that market conditions require the Company to occasionally lower the prices of its products to below cost. There can be no assurance that the Company can absorb the impact of charging lower prices for its products, which will adversely affect the Company's results of operations, financial position and forecasts.

2.1.32 Risks related to the concentration of sales in the White and Red Meats segment

White and Red Meats is the Company's most significant product category, accounting for 65.4% of total revenue for the financial year ended 31 December 2018G, 59.6 of total revenue for the financial year ended 31 December 2019G, 57.6% for the financial year ended 31 December 2020G and 55.1% for the period ended 31 March 2021G. Consequently, any disruptions to the Company's ability to distribute its poultry and meat products, whether due to regulatory, operational or health and safety issues, would have a significant impact on the Company's business and results.

As a supplier of meat products, the Company is subject to risks associated with the outbreak of disease in beef livestock and poultry flocks, including, but not limited to, avian influenza and bovine spongiform encephalopathy. The outbreak of disease could adversely affect the Company's supply of raw materials, increase the cost of production and reduce operating margins. Additionally, the outbreak of disease may hinder the Company's ability to market and sell products, which would have a material adverse effect on the Company's business, financial position, results of operations and forecasts.

2.1.33 Risks related to the approval of products by SFDA

The SFDA is the Saudi Arabian authority responsible for regulating, overseeing and controlling food products, drugs and medical devices inside Saudi Arabia, imported or locally manufactured. The Food Law, issued by Royal Decree number (M/1) dated 06/01/1436H and its implementing regulations govern the activities related to the manufacturing, import, storage and transport of food products, to ensure the safety for consumption.

Furthermore, the SFDA has issued guidelines on the conditions and requirements for importing food products to Saudi Arabia, which require that any products imported into Saudi Arabia meet specific quality and nutritional standards. This requires the supplier's food products to comply with the import conditions and requirements set out by the SFDA for various product categories. To monitor compliance, the SFDA may audit the operational procedures of the competent authority in the supplier's country. However, these regulations do not provide for specific restrictions or information on the value, volume and revenues of the allowed imported products from Brazil. Nevertheless, the SFDA imposes restrictive measures and tightens food and safety rules on products imported into the Kingdom when it deems doing so appropriate and serves public interest, which affected average sale costs and the Company's profit margin as a result. It is worth noting that during 2020G, SFDA banned the import of poultry products from some slaughterhouses in Brazil that the Company imports from.

In the event that SFDA standards are not met, this may result in a decision banning import from the relevant establishment, and consequently, the Company will not be able to import such products, as occurred with some supliers from Brasil due to external market parameters that are beyond the control of the Company, which would have a material adverse effect on the Company's business, financial position, results of operations and forecasts.

2.1.34 Risks related to certification of products slaughtered according to Islamic method (Halal Certification) by the suppliers

To comply with the applicable regulations in the Kingdom, only Halal-certified meat products can be sold in the Kingdom. If the relevant authorities change the regulations and criteria for obtaining the certification of products slaughtered using the Islamic method (Halal), the Company's suppliers may be prohibited from obtaining Halal certification for their meat products supplied to the Company in case of non-compliance. Failure to comply with such applicable regulations by the Company's suppliers, would result in the Company being unable to import meat products and sell them in the Saudi market, which would have a material adverse effect on the Company's operations, financial position, results of operations and forecasts.

2.1.35 Risks related to changes in laws and regulations applicable on the Company's business

The Company's business is largely dependent on the importation of products, and accordingly, the import laws in the Kingdom and export laws in jurisdictions from which the Company or its suppliers import the products that the Company distributes has a significant effect on the Company's business. If importation regulations become more restrictive towards the goods that the Company purchases from vendors or certain sanctions or embargos are imposed on these jurisdictions by the United Nations, other organizations or governments, this would have a material adverse effect on the Company's, financial position, results of operations and forecasts.

2.1.36 Risks related to the adoption of additional fees or new taxes

The Company is currently subject to Zakat, VAT, and withholding tax (given that some of the Company's transactions are with foreign parties not registered in the KSA). However, the government may impose other fees or additional taxes on companies in the future. In the event that new taxes or fees are imposed on companies, other than the current ones, this would adversely and materially affect the Company's business, financial position, results of operations and forecasts.

For example, any potential future increase of the VAT may reduce the level of demand for the Company's products or affect its profitability, which would have a material adverse impact on the Company's business, financial position, results of operations and forecasts.

2.1.37 Risks related to ownership and title disputes relating to the Company's Branches

Real estate ownership in Saudi Arabia gives rise to a number of issues, in particular disputes over ownership and title given the absence of a centralized land registry. Given that indefeasibility of title does not yet exist in Saudi Arabia, various types of historical evidence are relied upon to identify and prove ownership of land, such as court judgments, sale agreements and historical deeds. Given that not all relevant historical evidence may be available in every case, there is often a residual risk of future ownership disputes. For example, if a historical seller had sold a property to another purchaser prior to selling it to the Company, even if such historical sale was not registered, the other purchaser may still have a claim against the Company over a given property. Accordingly, clear title may not be established in respect of all of the owned properties in which the Company operates its branches. Furthermore, legal disputes might arise in connection with these properties, which disputes may call into question the Company's ability to own or occupy the subject Properties and may in some cases cause the Company to lose title to a property it owned. Such disputes and questions about title would materially impact the value of the underlying properties, may cause the Company to cease its operations on a particular property and would otherwise adversely affect the Company's business, financial position, results of operations and forecasts.

2.1.38 Risks related to concentration of Key Customers

The value of transactions with the 10 Key Customers accounted for about 22.9%, 21.2% and 23.9% of the Company's total sales volume of food products supplied for the financial years ended December 31, 2018G, December 31, 2019G and December 31, 2020G, respectively (please see Table 4-14) ("**The Company's Key Customers as at 31 December 2020G**")); while the value of transactions with the 10 Key Customers accounted for about 27.5% of the Company's total sales of supplied food products for the period ended March 31, 2021G (please see Table 4-15 ("**The Company's Key Customers as at 31 March 2021G**")).

The total value of transactions with Key Customers amounted to SAR 571 million, SAR 512 million and SAR 608 million for FY2018G, FY2019G and FY2020G, respectively (please refer to Table 4-14 ("**The Company's Key Customers as at 31 December 2020G**")); While the total value of the agreements concluded with Key Customers amounted to SAR 173 million for the period ended March 31, 2021G (please refer to Table 4-15 ("**The Company's Key Customers as at 31 March 2021G**")).

The Company negotiates with Key Customers on the quantity and price of the goods sold and concludes an account opening agreement and commercial agreements therewith (the Company has entered into commercial agreements with 7 Key Customers). The Key Customers then submit their orders to the Company via purchase orders and emails which include certain terms and conditions. These purchase orders and e-mails are limited to detailing the items and quantities of goods, the price and date of delibery thereof. The Company enters the purchase order into its system, and according to the availability of the specific food products detailed in the purchase order, a credit note is issued that is signed by the Key Customers and the invoice amount is deducted from the credit limit of the Key Customers set out in the account opening agreement.

For customers that are supermarkets and hypermarkets, the Company enters into commercial agreements that specify the terms of the contract with the customer in addition to the account opening agreement and purchase orders. The commercial agreement includes additional terms for leasing shelving space and targeted discounts (7 out of 10 Key Customers are supermarkets and hypermarkets). These trade agreements do not contain exclusive provisions or minimum purchase volume requirements, so customers are free to contract or deal with alternative suppliers for their purchases. Therefore, there is no guarantee that this segment of the Company's customers will continue to order the goods and services at all or at the same current levels. Moreover, there is no guarantee that the Key Customers will not be affected by the decrease in demand on their sales in the future, which will lead to a decrease in the volume of their purchases from the Company.

If the Company is unable to maintain its contractual relationships with its Key Customers, or if any of the above-mentioned factors materialize, this would adversely and materially affect the Company's business, results of operations, financial position and forecasts.

2.1.39 Risks related to seasonal factors

The products that the Company imports may be affected by seasonal fluctuations, as the imported quantities of products is determined by the capabilities of suppliers, bad weather conditions (such as natural disasters, floods, torrential rains, droughts, etc.), diseases and epidemics, which may negatively and materially affect the production process, supply chain and cost of goods. Moreover, the Company may be exposed to other risks due to fluctuations and changes in customer seasonal demands, such as during the month of Ramadan, Eid al-Fitr and Eid al-Adha, when sales are expected to increase substantially as a result of increased demand, especially in the month of Sha'ban when customers prepare to welcome Ramadan, which contrasts with low demand during the summer vacation period; which would adversely and materially affect the Company's business, results of operations, financial position and forecasts.

Due to the foregoing, the Company may face difficulty in planning its business, as this may limit its ability to accurately forecast future revenues or set an accurate operating budget, which would adversely and materially affect the Company's business, results of operations, financial position and forecasts.

2.2 Risks Relating to the Market, Industry and Regulatory Environment

2.2.1 Risks related to the impact of political and economic risks on the Company's operations

The entirety of the Company's operations carried out in Saudi Arabia, and the Company's financial performance is therefore dependent on the prevailing economic and political conditions in Saudi Arabia and on global economic conditions that affect Saudi Arabia's economy.

The oil sector still constitutes a large share of the GDP of Saudi Arabia. Fluctuations in oil prices may occur, and adversely affect the economy of Saudi Arabia. Economic growth in the Kingdom has also slowed in recent years. Saudi Arabia is also facing the challenge of relatively high levels of population growth. All such conditions could have an adverse effect on the Saudi Arabian economy, which in turn would have a material adverse effect on the Company's business, financial position, results of operations or forecasts.

In addition, many countries in the Middle East suffer from political or security instability at the present time. These disruptions will affect the continuation of relations between countries or the trade or economic exchange therebetween, and consumers' attitudes and commercial choices may be affected as a result. There can be no assurance that the negative diplomatic relations with, or economic and political conditions in, those countries or other countries will not have a negative impact on the economy, foreign direct investment or financial markets in Saudi Arabia in general, and on the Company's business, results of operation, financial position and forecasts.

Any unexpected major changes in the political, economic or legal environment in Saudi Arabia, other countries in the Middle East, and/or the countries from which the Company sources its products (such as Brazil or France), which include without limitation normal market fluctuations, recession, insolvency, weakness in employment levels, technological shifts and other such developments, will adversely and materially affect the Company's business, results of operations, financial position and forecasts.

2.2.2 Risks related to the highly competitive nature of the sector in which the Company operates

The food sector in Saudi Arabia is highly competitive, and the Company expects such competition to increase and intensify in the future. The Company faces competition from domestic / international manufacturers and suppliers in the areas where the Company currently operates and where it may operate in the future.

The Company competes with other food distributors in Saudi Arabia based, among other things, on the following elements: (1) prices of food items; (2) the degree of brand recognition for the quality of services and products; (3) efficiency of delivery services; (4) reputation and quality of the brands, merchandise and products offered; (5) quality of customer service; and (6) ability to understand and respond to customer demands in a timely manner. Some of the Company's competitors may possess financial, managerial, logistic and human resources exceeding those possessed by the Company. Moreover, a number of different competitive factors would also have a material adverse effect on the Company's business, results of operations and financial position if they were to occur, including, among other things:

- adoption of aggressive pricing strategies, availability of popular product mix and application of innovative sales methods by the Company's existing or new competitors;
- entry by new competitors into the Company's current and future markets and increased competition from other international and local players, including other wholesalers;
- two or more competitors merging or forming strong alliances so as to offer additional high quality products and services at lower cost; and
- utilizing innovative sales and marketing methods by the Company's competitors and suppliers establishing their own stores.

In addition to the aforementioned, prevailing local market prices for the items that compete with the Company's products and the availability thereof in the market in comparison to the volume of demand, affect the Company's selling prices, which in turn negatively affects the Company's profitability if it decreases. For example, large quantities of Ukrainian chicken flowed into the market during the last quarter of 2020G to an extent that exceeded market demand, which, despite bridging the supply gap stemming from the ban on Brazilian chicken, led to a decrease in the sold quantities of poultry for the Company in the three-month period ending on 31 March 2021G in addition to lower prices (for more information please refer to section 6.5.3 and section 6.6.1.1). Such risks would adversely and materially affect the Company's business, results of operations, financial position and forecasts. Some of the Company's customers also get promotional discounts or incentives that affect the volume of sales and the level of profitability, however, market competition may force the Company to offer higher promotional incentives or discounts, which would affect the Company's future profitability.

Higher competition will result in lower prices, increased offers and higher sales incentives, lower gross margins, higher sales expenses, and higher costs for marketing programs and expenses dedicated to expanding marketing channels. The Company may not be able to effectively compete with present and future competitors, and changes in the competitive environment could cause a reduction in its profit margins and cause the Company to lose or reduce market share, and this, in turn, would adversely and materially affect the Company's business, results of operations, financial position and forecasts.

2.2.3 Risks related to the Company's compliance with Saudization and other Labor Law Requirements

Compliance with Saudization requirements is a local regulatory requirement necessitating that all companies active in Saudi Arabia, including the Company, employ and maintain a certain ratio of Saudi personnel among their staff. The percentage of Saudi workers varies on the basis of a company's activities. As at 03/08/2021G, the Company has been classified under the medium Green category, which means that each complies with the current Saudization requirements, allowing compliant companies to secure work visas. In addition, the Company has sub-commercial records with a separate Saudization ratio for each record (for further details, please refer to Table 4-18 "**Saudization Ratio as at 31 March 2021G**"). The Company has obtained the relevant certificates to this effect from the Ministry of Human Resources and Social Development.

The Company may not be able to fulfil current or enhanced Saudization or other Labor Law requirements in the future and / or that the minimum wage required to be paid by the Company will not increase. In case of non-compliance with the Saudization requirements, the Company could face sanctions by governmental authorities, such as suspension of work visa requests and of transfers of sponsorship for non-Saudi employees. In addition, there can be no assurance that the Company will be able to provide the required workforce or recruit the required number of Saudi nationals and / or foreign workers without incurring additional costs, if at all, which would adversely and materially affect the Company's business, results of operations, financial operation and forecasts. For further details, please refer to Section 4.9 ("**Saudization**").

2.2.4 Risks related to the impact of changes of prices for energy, electricity, water and related services on the Company's operating expenses

The Saudi Council of Ministers issued the Resolution No. 95, dated 17/03/1437H (corresponding to 28/12/2015G), to raise energy prices (including fuel) and electricity, water and using sanitation services tariffs for residential, commercial and industrial sectors, as part of the Kingdom's policies aimed at rationalizing the government subsidy program. The Ministry of Energy, Industry and Mineral Resources issued a statement, dated 24/03/1439H (corresponding to 12/12/2017G), on Fiscal Balance Program Plan to reform prices of energy products. It resulted in an increase in prices of Gasoline 91, Gasoline 95, Diesel for industry and facilities, Diesel for transportation and Kerosene as at 14/04/1439H (corresponding to 01/01/2018G).

The Company's water, electricity and fuel expenses amounted to SAR 18 million (representing 7.9% of operating expenses and 0.7% of revenues) during the financial year ended on 31 December 2018G, approximately SAR 17.6 million (representing 7.4% of operating expenses and 0.7% of revenues) during the financial year ended 31 December 2019G, approximately SAR 16.3 million (representing 6.3% of operating expenses and 0.6% of revenues) during the financial year ended on 31 December 2020G and SAR 3.9 million (representing 6.1% of operating expenses and 0.6% of revenues) during the period ended 31 March 2021G.

The price increases set out above, as well as any other potential increases in energy prices (including fluctuations in the price of fuel), electricity, water and services associated with the Company's operating expenses, may lead to a decrease in discretionary spending or income available to customers in general. Consequently, the Company's operating expenses might increase, which would have a material adverse effect on the Company's operations, financial position, results of operations or forecasts.

2.2.5 Risks related to the changes in laws and government policies in Saudi Arabia.

The Company is subject to a range of laws and regulations in Saudi Arabia, which in many cases are applied by governmental authorities in accordance with government policy or directives. Demand for products sold by the Company's branches and its business would be materially and adversely affected by changes in laws, regulations, government policy and administrative directives, or the interpretation thereof, in Saudi Arabia, including in particular those with application to the food distribution industry in Saudi Arabia.

A number of the laws and regulations applicable to the Company and its operations are relatively new, and the interpretation and enforcement of these laws and regulations may involve uncertainty. There can be no assurance of favorable or unfavorable future changes in laws and regulations and / or governmental policy in Saudi Arabia with respect to the food distribution industry, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement.

In addition, the Building Code issued in 2018G by the Saudi Building Code National Committee introduced new technical requirements applicable to buildings for safety, strength and sustainability purposes. Pursuant to the Saudi Building Code Application Law issued by Royal Decree No. M/43 dated 26/04/1438H (corresponding to 24 January 2017G) as amended by Royal Decree No. M/15 dated 19/01/1441H (corresponding to 18 September 2019G), and its Implementing Regulations, trading malls, industrial buildings, facilities and buildings below 23 meters in height (among other building categories) must comply with the requirements under the newly issued Saudi Building Code National Committee, by August 2020G. The Saudi Building Code Application Law and its Implementing Regulations provide that whoever violates the Saudi Building Code, any provisions of the law and its implementing regulations shall be subject to a fine up to SAR 1 million for each single violation in each building and / or the suspension of the practice license for a period not less than one month and not exceeding one year. The Company may not be able to apply the new technical requirements issued by the Saudi Building Code National Committee on its branches. Moreover, any revisions to the Building Code could impose material obligations on the Company, with which it may not be able to comply in a timely manner. This could lead to the imposition of fines or sanctions on the Company, which would adversely and materially affect the Company's business result of operations, financial position and future forecasts.

The Company is unable to anticipate changes in the regulatory environment and therefore could be subject to fines and sanctions, which would materially and adversely affect the Company's business, results of operations, financial position and forecasts.

2.2.6 Risks related to changes in the calculation of Zakat and income tax

The Zakat, Tax and Customs Authority issued Circular No. 6768/16/1438 dated 05/03/1438H (corresponding to 05/12/2016G), which obliges listed Saudi companies to calculate income and Zakat on the basis of the shareholder nationality and the ratio of actual ownership between Saudi and Gulf citizens and others as stated in the Tadawulaty system at the end of the year. Prior to the issuance of said circular, listed companies were generally subject to the payment of Zakat or tax on the basis of the ownership of their founders in accordance with their articles of association, and the impact of listed shares was not taken into account in determining the Zakat base. This circular was to come into effect for the financial year ended December 31, 2016G and subsequent years. However, the Zakat, Tax and Customs Authority issued Letter No. 12097/16/1438 dated 19/04/1438H (corresponding to 17/01/2017G), which postponed the implementation of said circular until the financial year ended December 31, 2017G and subsequent years.

Until the Zakat, Tax and Customs Authority issues directives regarding the mechanisms and procedures for implementing this circular, the implementation thereof, including final requirements that must be met, are still under study, as are the rules imposing income tax on all non-Gulf residents who are shareholders in listed Saudi companies subject to withholding tax on dividends paid to non-resident shareholders, regardless of their nationalities. In the event that the financial impact of this circular, if applied, is significant, or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, such occurrences would materially and adversely affect the Company's business, results of operations, financial position and forecasts, and consequently on the price of Company shares.

2.2.7 Risks related to import

The value of the Company's imports amounted to SAR 1,786,742,332, SAR 1,762,278,889, SAR 1,662,339,868, and SAR 379,883,399 or 85.7%, 82.1%, 78.2% and 76% of the Company's total gross purchases for the years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period ended 31 March 2021G, respectively. Therefore, the imposition of legal requirements or new regulations, such as the Saudi Government's recent decision to increase customs tariffs to 20%, anti-dumping duties or customs tariffs and other measures, whether adopted by countries or by regional trade blocs, it is possible that will affect the prices of products and goods imported by the Company, and thus will be reflected on the Company's ability to provide competitive sales offerings at its branches, which in turn would materially and adversely affect the Company's business, results of operations, financial position and forecasts.

2.2.8 Risks related to Zakat and Tax

Abdullah Ali Almunajem Sons Company (the Substantial Shareholder) and the Company submitted Zakat declarations on a consolidated basis on behalf of the Substantial Shareholder to ZATCA for the years 2008G to 2020G. On 23 Muharram 1439H (corresponding to 13 October 2017G), the Substantial Shareholder obtained an approval from ZATCA to file its Zakat returns on a consolidated basis, including for the Company. Therefore, from 2008G onwards, Abdullah Ali Almunajem Sons Company started filing consolidated Zakat returns for all of its wholly owned subsidiaries, which includes the Company. Consolidated Zakat returns were filed with ZATCA for the financial years ended on 31 December 2008G until 31 December 2016G. Abdullah Ali Almunajem Sons Company (the Substantial Shareholder) also filed its consolidated Zakat returns for all of its wholly owned subsidiaries, which includes the Company, for the years from 2017G to 2020G. Abdullah Ali Almunajem Sons Company (the Substantial Shareholder) obtained a Zakat certificate up to 31 December 2020G. Moreover, the Substantial Shareholder has pledged to bear any additional liability imposed or estimated on the Company arising from the finalization of Zakat assessments for the financial years from 01 January 2008G to 31 December 2020G, as per the agreement concluded between the Company and the Substantial Shareholder (for more information, please see Section 12.7.4.3 ("**Tax Indemnity Agreement**")). On 01/04/2021G, Abdullah Ali Almunajem Sons Company received a Zakat assessment from the ZATCA for the consolidated 2018G return, including a claim for Zakat differences totaling SAR 9,950,829.67. The Substantial Shareholder objected to said assessment before the General Secretariat of the Tax Committees on 27/04/2021G, and has not received a response to date. On 28/04/2021G, Abdullah Ali Almunajem Sons Company received a Zakat assessment from the ZATCA for the consolidated 2015G return, including a claim for Zakat differences totaling SAR 8,435,073.87. The Substantial Shareholder objected to said assessment before the General Secretariat of the Tax Committees on 23/06/2021G and has not received a response to date. The Company did not make provisions for these claims, as the Tax Indemnity Agreement protects it from all potential losses for the period prior to 2021G, which will be borne, if levied, by Abdullah Ali Almunajem Sons Company as per the aforementioned agreement.

It should be noted that, starting 1 Januray 2021G, the Company refuted being part of the consolidated Zakat declaration filed by Abdullah Ali Almunajem Sons Company due to the offering, and the Company will, as the date hereof, file its Zakat declarations on a standalone basis. In this case, the Zakat owed by the Company at that time may be higher than the amount of Zakat paid by the Company while it was included in the consolidated Zakat declaration, which would affect the Company's business, results of its operations and financial position.

2.2.9 Risks related to foreign ownership restrictions with respect to Makkah and Madinah

Some of the Company's facilities are located in the cities of Makkah and Madinah. The revenues from sales of products distributed from these facilities comprised 11.6%, 11.7%, 9.2% and 9.7% of total Company revenues for FY2018G, FY2019G, FY2020G and the period ended March 31, 2021G, respectively. Without prejudice to Premium Residency Scheme issued by Royal Decree No. M1-6, which states that a foreigner holding a premium residency has the right to benefit from real estate located in Makkah and Madinah (for a period not exceeding ninety-nine years), the Regulation of Ownership and Investment in Real Estate by Non-Saudis' (Royal Decree No. M/15 dated 17/4/1421H (corresponding to 19 July 2000G, as amended under Royal Decree No. M/83 dated 17/9/1442H (corresponding to 29 April 2021G)) generally prohibits non-Saudis from indirectly and directly owning estate in Makkah and Madinah. A Council of Ministers decision No. 494 dated 14/09/1439H clarifies what constitutes a "non-Saudi" and also creates a number of exceptions to the definition. These exceptions include listed companies that do not have as one of their objectives or activities "dealing with real estate", provided that ownership shall be for the purpose of using it as a head office, as an office for its branch or is necessary for the Company to continue doing its business activities, and provided that the whole of the property is only used for that purpose in accordance with the rules of the CMA. The policy for the application of the general prohibition to listed companies is set out in CMA Circular 254 entitled "Foreign Ownership in listed companies that invest in real estate located within the borders of Makkah and Al-Madinah as its main activity" and dated 7/11/1437H (corresponding to 10/8/2016G) (the "**Circular**"), which, as at the date of this Prospectus, limits the application of the prohibition to four specified listed companies whose main activity is investment in real estate in Makkah and Madinah.

The Circular also states that non-Saudis are not permitted to acquire securities in any listed company "in which non-Saudis are restricted from investing in based on specific instructions issued by relevant supervisory authorities governing such companies". There can be no assurance that any such instructions will not be issued in the future prohibiting non-Saudis from holding an ownership stake in the Company or, were such instructions are issued, what the potential impact may be on the Company or what mitigating actions the Company take (for instance, the cessation of the Company's operations in these cities). The issue of any such instructions in the future would have a material adverse effect on the Company's business, results of operations, financial position and forecasts.

2.3 Risks Related to the Offer Shares

2.3.1 Risks related to actual control by the Substantial Shareholder post-offering

Following completion of the Offering, the current Shareholders will collectively hold (directly or indirectly) 70% of the issued Shares. The Substantial Shareholders will therefore be able to influence all matters and decisions requiring the approval of the Shareholders including the election of the Directors, approval of contracts, important Company activities, distribution of dividends and amendments which might be made to the Company's share capital and Bylaws.

The interests of the Substantial Shareholders may differ from those of the Company's other shareholders, and the Substantial Shareholders may prevent the Company from making certain decisions or taking certain actions that would protect the interests of the Company's other shareholders. This may also have the effect of delaying, deferring or preventing a change in the distribution thereof, which may adversely affect the value of the Shares.

Such powers might be used in a manner which would adversely and materially affect the Company's business, results of operations, financial position and forecasts.

2.3.2 Risks related to the absence of a prior market for the Shares

There has been no previous public market for offering or trading the Shares, and there can be no assurance that an active and liquid market for the Shares will develop or be sustained after the Offering. If an active and liquid market is not developed or maintained, the trading price of the Shares, which would adversely and materially affect Subscribers' anticipated returns, or result in the loss of all or a portion of their investment in the Company.

2.3.3 Risks related to the sale of a large number of the Company's shares post-offering

Sales of large numbers of the Shares on the market after the completion of the Offering, or the perception that those sales will occur, could adversely affect the market price of the Shares.

Upon the successful completion of the Offering, the Substantial Shareholders will be subject to a lockup period of six months during which they may not dispose of any Shares that they own. The sale of a substantial number of Shares by any of the Substantial Shareholders following their six-month lock-up period could have an adverse effect on the market for the Shares, and may result in a lower market price.

The Company does not currently intend to issue additional Shares after the end of the Offering. If the Company decides to raise additional capital by issuing new Shares, the newly issued Shares would will cause the value of the Shares to drop. The occurrence of any of the foregoing factors would have a material adverse effect on Subscribers' anticipated returns, or result in the loss of all or a portion of their investment in the Company.

2.3.4 Risks related to fluctuation in the market price of the Shares

The Offer Price has been determined based upon several factors, including the past performance of the Company, the forecasts for the Company's business, the industry in which it operates, the markets in which it competes and an assessment of the Company's management, operations and financial results. The Offer Price may not be equal to the price at which the Shares will be traded following completion of the Offering and investors may not be able to resell the Offer Shares at the Offer Price or above, or may not be able to sell them at all.

The stock market in general experiences from time to time extreme price and volume fluctuations. Market fluctuations could result in extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares, with price volatility being worse if the trading volume of the Shares is low. The price of Shares may be negatively affected by various factors, including the Company's performance and results of anticipated operations, departures of key personnel, changes in earnings estimates or forecasts, changes in the business strategy, market conditions in its industry, the general situation of the Saudi Arabian economy, changes in laws and regulations, terrorist acts, acts of war, natural disasters and other calamities and stock market price fluctuations. The realization of any of these risks or other factors would have a material adverse effect on Subscribers' anticipated returns, or result in the loss of all or a portion of their investment in the Company.

2.3.5 Risks relating to the Company's ability to distribute dividends

Future distribution of dividends will depend on several factors including, among other things, future earnings, financial position, cash flows, working capital requirements, capital expenditures and distributable reserves of the Company. In addition to other factors, the Company may not be able to pay dividends, and the Directors may not recommend and the Shareholders may not approve the payment of dividends. Additionally, the Company may be restricted by the terms of financing and facilities agreements executed with financing entities which some of them require their written approval prior making dividend payments to Shareholders. The Company may incur expenses or liabilities that would reduce or eliminate the cash available for distribution of dividends. If the Company does not pay dividends on the Shares, Shareholders may not receive any return on investment in the Shares unless they sell the Shares at a price higher than the price at the time of purchase, which would have a material adverse effect on Subscribers' anticipated returns. For further details regarding the dividends policy of the Company, please refer to Section 7 ("**Dividend Distribution Policy**").


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3. Information about the Market and the Sector

3.1 Introduction

The information shown below is based on an independent market study developed by Arthur D. Little Saudi Arabia (hereinafter referred to as the "**Market and Strategy Consultant**") exclusively for the Company on 31/01/2021G pursuant to contract to develop a market study covering the food and beverage ("**F&B**") sector in the Kingdom of Saudi Arabia. Arthur D. Little Saudi Arabia is an independent company founded in 1886G and established in Riyadh in 2010G, that provides strategic services and market research. Arthur D. Little started its operations in Saudi Arabia in the 1950s (for further information about the market study consultant, please go to www.adlittle.com).

It shall be noted that neither the Arthur D. Little Saudi Arabia nor any of its affiliates or sister companies, partners, shareholders, members of its board of directors, directors or their relatives, own any kind of share or interest in the Company or its affiliate companies. The Market and Strategy Consultant has given its written approval on the use of its name, the market information and data provided thereby to the Company as shown in this document, and such approval has not been withdrawn to date.

The members of the board of directors undertake that the information and data shown in this document and received from other sources, including those provided by the Market and Strategy Consultant, are credible. However, neither the Company nor the members of the board of directors or its directors or other consultants have checked or verified the accuracy or completion of the information shown in this section, and none of them shall assume any responsibility as to such information. As well, such information shall not constitute the sole basis for taking or refraining to take any investment-related decisions.

Conclusions shown in this section are the results of the exercise of the best professional judgement at Arthur D. Little, based in part upon materials and information provided to them by third party research agencies, government agencies and others. Use of this report by any third party for whatever purpose should not, and does not, absolve such third party from using due diligence in verifying the report's contents.

Research Methodology

All analysis outlined in this section is a product of comprehensive research conducted in December 2020: (i) secondary research of publicly available sources such as government entities, academic reports, industry reports from major F&B players (ii) analysis of materials provided by the Company such as 2015-2019G audited financial performance and other internal research reports on the F&B industry and food categories the firm operates in (iii) data from multiple sources was cross-checked and triangulated to arrive at an accurate consensus. Key sources utilized for developing the report include General Authority for Statistics (GASTAT), Saudi Arabia's Ministry of Finance, Food and Agriculture Organization of the United Nations, Euromonitor and Nielsen.

3.2 Executive Summary

The Saudi F&B market is estimated to be SAR 195 billion in 2019G and is projected to grow at 6.5% CAGR during 2019G-2021G, according to the Saudi Ministry of Investment. Saudi Arabia's imports approximately 70% of its food consumption, the level of imports however vary by category e.g. While Saudi imports ~40% of its total poultry consumption, it is a net exporter in various Dairy products. The largest component of the Saudi food market is meat and poultry, which is the core business of the Company. The Company operates in several large food categories a few of which are outlined below and further details are included in the detailed market assessment.

- Chicken (Frozen & Chilled) – Part of chicken demand in the Kingdom is served by imports with most of chicken products imported into the country in frozen form. Poultry products are forecasted to grow over the next five years as they are considered healthy by the consumers. Frozen & Chilled Chicken retail market was estimated at ~SAR 3.1 bn in 2019G and is expected to grow at 2.1% CAGR during 2019G-2024G.
- Processed Red Meat (Frozen & Chilled) – Processed Red Meat (Frozen & Chilled) in retail has grown at 5.2% CAGR in sales value and 2.9% CAGR in volume during 2017G-2020G. The category is projected to grow 5.6% CAGR in sales value and 4.8% CAGR in volume during 2020G-2025G.
- Frozen Processed Fruit & Vegetables – The category grew at 7.2% CAGR in retail sales to ~SAR 0.7 bn and is projected to grow at 6% CAGR in sales value and 4.0% CAGR in volume during 2020G-2025G.
- Dairy – Dairy category in retail channel has grown at 1.6% CAGR in terms of sales value during 2017G-2020G. The category is expected to grow at a healthy 4% CAGR in sales value and 2.7% in volume during 2020G-2025G.

- Edible Oils - Edible Oils category is comprised of Olive oil (20% market share by value), Corn oil (28%), Sunflower oil (38%), Rapeseed oil (3%), and others. Olive oil has been growing the fastest during 2017G-2020G at 4.6% CAGR in terms of sales value. It is forecasted to remain the fastest growing sub-category with projected sales growth of 2.2% CAGR during 2020G-2025G.

Growth in these categories and the entire Saudi food market is underpinned by several macroeconomic as well as consumption and demand trends that are outlined below. Saudi grocery retail and foodservice sector will be key to achieve this growth in distributing the food products to end customers.

Saudi Arabia's macroeconomic situation is expected to support the Kingdom's F&B market development and growth. The major macroeconomic drivers of the Kingdom's F&B sector growth are:

- Expected return to GDP growth – despite the estimated decline in the GDP in 2020G by 4.1% due to the COVID-19 pandemic, the Kingdom is expected to return to a GDP growth of ~2.8% per annum in 2021G and 2022G. The F&B sector is expected to remain resilient to the negative impact caused by the COVID-19 pandemic due to its nature.
- Growing population – the Saudi population, which is forecasted to grow at 1.2% CAGR during 2020G-2025G, will contribute to growth of the total addressable F&B market.
- Rising disposable income in per capita terms – Despite the decline in 2020G due to COVID-19 pandemic, disposable income in Saudi is forecasted to grow at a CAGR of 4.7% during 2020G-2024G. Such recovery will act as an additional catalyst for the F&B market growth. The rise in income will result in growth of consumer expenditure on food, which is also projected to increase at 4.6% CAGR during 2019G-2024G.
- 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 F&B 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, including Hajj and Umrah visitors, as a result of the government's continuous efforts to develop the industry as part of Vision 2030 and the National Transformation Program.

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

- Increase in local production – increased investment in local and foreign food manufacturing capabilities driven by the NTP program - the COVID-19 pandemic accelerated Saudi Arabia's focus on further strengthening the Kingdom's local and international food sourcing capabilities. During the COVID-19 pandemic, the Kingdom's Agricultural Development Fund introduced two new initiatives to support local farmers and investment in food production facilities abroad which tripled the budget for such activities as compared to the prior year, reaching SAR 5.5 billion in 2020G.
- The Kingdom's focus on food safety and quality – strengthening regulations related to food safety and quality such as the 2018G legislation intended to ban the use of partially hydrogenated oils.
- Growing trend towards healthy consumer food products – consumers' interest in healthier foods is rising inspired by the growing number of media channels promoting healthy food habits - the trend is strengthening because the government is also promoting a healthy lifestyle, as part of one of the pillars of Vision 2030, "Living healthy, being healthy". Furthermore, during the COVID-19 pandemic, the Kingdom's Ministry of Health conducted a health awareness campaign to encourage people to eat a balanced diet and exercise to boost the immune system. The trend is expected to continue beyond the COVID-19 pandemic period prompted by a change in consumer behavior.
- 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 as they will have less time to cook.
- Recent increase in VAT – 2020G VAT increase to 15% is expected to increase consumers' price sensitivity when purchasing food – it is expected to have a stronger impact on non-essential food items.
- Growing share of online shopping – online grocery shopping rose over the past years, and experienced strong growth in 2020G as a result of the COVID-19 pandemic with people reducing the number of trips outside including for grocery purchase. The Kingdom's e-grocery is estimated to have grown by 390% in 2020G reaching SAR 2.0 billion in total spending.
- Saudization program – program aimed at increasing Saudi national's employment is resulting in some expats gradually leaving the Kingdom.

Saudi grocery retail space and foodservice market is expected to play an important role in the forecasted growth in Saudi F&B market. The Saudi store based grocery retail space consists of more than 41,000 outlets with an estimated sales of SAR 138.5 billion in 2020G. Food retailing in the Kingdom is undergoing two major transitions: shift from traditional retailing (e.g. baqalas) to modern retailing (e.g. hyper/supermarkets), and from in-store to e-commerce. Supermarkets and hypermarkets are expected to continue to take the market share away from traditional retail due to their larger size which enables them to offer a greater product and brand selection at comparatively lower prices through discounts/ offers. Grocery e-commerce is considered a promising high-growth investment area with several large retailers such as BinDawood, Danube and Carrefour focusing on developing a strong presence in online retailing starting in 2018G. Similarly, Nana Direct, a Saudi e-grocery startup, recently became one of the highest funded Saudi startups after raising USD 18 million in Series B stage in March 2020G. Online grocery retailing has been growing steadily over the past years and grew from SAR 375 million (0.3% of total grocery sales) to an estimated SAR 2 billion (1.5% of total grocery sales) in 2020G, representing a five-fold increase compared to 2018G. The market has witnessed a structural shift caused by the COVID-19 pandemic and is expected to continue progressing in that direction it is over because people may prefer the convenience of online grocery shopping over the in-store experience. A recent consumer survey suggested that Middle Eastern consumers are shopping for groceries online more frequently and majority of those consumers will continue to purchase food online post COVID-19 pandemic.

Saudi Arabia's consumer foodservice market reached 36,000 outlets and SAR 81.6 billion sales in 2019G. While the total consumer foodservice sales declined by almost a third in 2020G due to COVID-19 pandemic, it is forecasted to recover with a CAGR of 10.2% during 2020G-2025G. Because of its strong growth potential, food services segment has been a key focus area for large distributors and F&B manufacturers looking to grow. The consumer foodservice market is dominated by full-service and limited-service restaurants which account for 90% of total foodservice sales. Approximately 70% of the consumer foodservice market is held by independent restaurants and the remaining 30% is held by restaurant chains. Consumer foodservice has been significantly impacted by the COVID-19 pandemic, however, the outlook remains optimistic. Consumer foodservice sector in Saudi Arabia is already witnessing a rebound in economic activity.

Overall, the F&B industry in the Kingdom is projected to grow at 6.4% CAGR during 2019G-2021G as a result of the defensive nature of the sector despite the COVID-19 pandemic and other external shocks. The F&B sector and especially the Frozen & Chilled categories have higher barriers of entry due to investment required in distribution & storage infrastructure. Moreover, the sector is strongly influenced by consumers' trust towards the food brands suggesting that well-positioned brands with long history have a strong advantage over other players. The Company is well-positioned to maintain its strong performance in the future. With more than a 70-year track record, The Company has a deep-rooted presence in the market and is a common and trusted Saudi household brand. The Company has 12 cold store, a meat processing facility (currently undergoing capacity expansion) and a large fleet of 1,064 vehicles allowing it to efficiently deliver food products across Saudi Arabia. Moreover, the company's presence in large and high growth food categories such as Frozen Fruit & Vegetables, Edible Oils, Processed Red Meat (Frozen & Chilled), Rice, Dairy and Chicken (Frozen & Chilled) provides strong opportunities for future growth. The Company's deep-rooted presence across the most relevant sub-segments positions it well to capture the robust growth and structural shifts in the industry in the Kingdom going forward.

3.3 Macroeconomic Analysis

3.3.1 General macroeconomic landscape

The Kingdom of Saudi Arabia is the largest economy in the GCC with a GDP of SAR 2.53 trillion as of 2020G (in 2010G constant prices), which represents a ~28% increase from SAR 1.98 trillion in 2010G. The Saudi economy has grown at 0.6% CAGR during 2014G-2020G. However, economic growth has been slowing down, evidenced by a slower average GDP growth rate of 6% CAGR during 2010G-2013G, 3% CAGR during 2013G-2016G and 1% CAGR during 2017G-2019G.

The Saudi economy growth is correlated with global oil prices. The kingdom experienced strong GDP growth during 2010G-2013G, with oil reaching a peak average price in 2012G-2013G at USD 111. Since 2015G, the Kingdom's economy experienced slower growth as the oil prices declined and government had to reduce spending to balance the budget.

Table (3-1): Macroeconomic indicators of the Kingdom of Saudi Arabia, constant prices

	2014G	2015G	2016G	2017G	2018G	2019G	2020(1)	CAGR (2014G-2020G)
Oil GDP (SAR Billions)	1,044	1,099	1,138	1,103	1,138	1,096	1,023	-0.3%
Non-Oil GDP (SAR Billions)	1,381	1,425	1,429	1,447	1,478	1,527	1,492	1.3%
Private Sector Consumption (SAR Billions)	967	999	1,000	1,015	1,035	1,074	1,040	1.2%
Government Consumption (SAR Billions)	415	426	428	431	444	454	451	1.4%
Import Duties	20	21	21	19	15	16	16	-3.7%
Real GDP (SAR Billions) at 2010 Constant prices	2,445	2,545	2,588	2,569	2,631	2,640	2,531	0.6%

Source: General Authority of Statistics

Note: (1) Preliminary estimates

Table (3-2): Brent oil prices

	2014G	2015G	2016G	2017G	2018G	2019G	2020G	2021G(1) (15th Mar)
Average Brent oil price (USD / barrel)	$99.0	$53.0	$45.1	$54.7	$71.3	$64.3	$41.96	~$68

Source: Macrotrends

Note: (1) 2021 oil price reflects the Mar 15, 2021 spot price

The Kingdom has been running budget deficits over the past few years. Saudi Arabia ran a budget deficit of 5.9% (SAR 174 billion) in 2018G and 4.5% (SAR 133 billion) in 2019. In 2020G, the budget deficit expanded to 11.9%, as a result of measures aimed at addressing the negative economic impact of COVID-19 pandemic. The Kingdom is spending SAR 214 billion on 142 initiatives aimed at addressing the economic impact of COVID-19 pandemic. The Saudi government tripled the VAT to 15% in July 2020G to address the fiscal imbalance caused by a loss in oil revenues and the increasing cost of healthcare sparked by the COVID-19 pandemic, amongst other considerations.

The budget deficit is forecasted to persist in 2021G-2022G, albeit at a lower level of 4.9% and 3.0% respectively. Saudi Arabia's Ministry of Finance suggests that the budget deficit will fall sharply in 2023G and reach 0.4% as a result of expected oil price recovery, resolution/mitigation of the COVID-19 pandemic and impact of Vision 2030 and the NTP programs.

Table (3-3): Saudi Arabia's budget deficit

	2018G	2019G	2020G	2021G(f)	2022G(f)	2023G(f)
Budget deficit (SAR billion)	174	133	298	141	91	13
Budget deficit (% of GDP in current prices)	5.9	4.5	11.9	4.9	3.0	0.4

Source: Saudi Arabia's Ministry of Finance, Arthur D. Little Research & Analysis

The end of 2019G marked the start of the COVID-19 pandemic that spread rapidly throughout the globe, affecting all economies. In pursuit of reducing the health impact of COVID-19 pandemic, many economies chose to restrict economic activity, and some entered partial or complete lockdowns. Such actions have resulted in a global economic slowdown resulting in reduced demand for oil thereby causing oil prices to drop. Despite the COVID-19 pandemic, in Q1 2020G, many Saudi economic activities showed growth. However, key sectors such as mining & quarrying and manufacturing were down by 2.8% and 8.8%, respectively, due to weak oil demand and low oil prices resulting in the overall economy shrinking by 1%.

In Q2 2020G, the negative economic impact of COVID-19 pandemic on the global economies expanded and the Kingdom entered a 2-month lockdown that restricted most economic activity including foodservice. Nearly all the economic activities in the Kingdom contracted with the overall economy contracting by 7%. The most affected activities include: Wholesale & Retail trade, Restaurants & Hotels; Transportation, Storage & Communication and Community, Social & Personal services.

In Q3 2020G, the economy contracted by 4.6% suggesting that the decline is slowing down. Gradual reopening of business activities in the Kingdom and global markets allowed several sectors to start recovering. The fastest recovering sectors include Finance, Insurance, Real Estate & Business Services, which grew by 1.1% and Agriculture, Forestry and Fishing which increased by 0.7%.

Table (3-4): COVID-19 impact on the Kingdom's GDP by sector

	Growth rate (year-on-year %)		
	Q1 2020G	Q2 2020G	Q3 2020G
Mining & Quarrying	-2.8	-4.5	-7.2
Government Services	1.5	-1.3	1.8
Manufacturing	-8.8	-11.6	-10.1
Finance, Insurance, Real Estate & Business Services	1.0	-0.7	1.1
Wholesale & Retail Trade, Restaurants & hotels	4.8	-18.3	-5.2
Transport, Storage & Communication	4.1	-16.3	-6.3
Construction	2.2	-4.7	0.2
Agriculture, Forestry & Fishing	-0.3	-9.8	0.7
Community, Social & Personal Services	3.7	-12.6	-5.5
Electricity, Gas and Water	0.2	-7.8	0.1
GDP total	**-1.0**	**-7.0**	**-4.6**

Source: General Authority of Statistics

As global economy recovers from the COVID-19 pandemic and significant progress is made towards vaccine distribution globally and in the Kingdom, Brent oil prices have recovered to 2019G levels at ~USD 68 per barrel (as of Mar. 15, 2021G), aided further by actions undertaken by OPEC+ to stabilize the market.

Saudi economy declined in 2020G as a result of the global COVID-19 pandemic and the short-term demand shock in the energy markets. The Kingdom's economy declined by 1.0% in Q1 2020G and by 7.0% in Q2 2020G. However as global economy recovered, the rate of decline in Q3 2020G and Q4 2020G slowed down to 4.6% in Q3 2020G and 3.8% in Q4 2020G. For the entire year of 2020G Saudi GDP has contracted by 4.1%.

Other economies are expected to suffer a similar amount of contraction. For example, the U.S. economy shrank by 3.5% in 2020G and the U.K economy shrank by 9.9% according to the Office of National Statistics. According to local and international sources such as Saudi Arabia's Ministry of Finance, IMF and the World Bank the Kingdom's economy is expected to recover in 2021G and 2022G, with economic growth forecasts ranging 2.0%-3.2% for 2021G and 2.2%-3.4% in 2022G.

Table (3-5): Real GDP growth forecast for the Kingdom of Saudi Arabia

	2019G	2020G(f)(1)	2021G(f)	2022G(f)
Real GDP growth / contraction (%)	0.3	-4.1	2.0 – 3.2	2.2 – 3.4

Source: IMF, World Bank, Saudi Arabia's Ministry of Finance, GAS

(1) 2020 data was provided by the General Authority of Statistics as a "Flash estimate"; 2021-2022 GDP growth forecasts were provided as a range based on projections by Saudi Arabia's Ministry of Finance, IMF and the World Bank

Any negative impact on the F&B sector from the decline in the GDP growth and the increase in VAT is expected to be short-lived, given the expected economic rebound in 2020G-2021G as well as food being a necessity. Higher VAT can potentially alter consumer purchase habits with preference for low costs brands or search for promotions / discounts.

3.3.2 National Transformation Program and Vision 2030

As a result of the Kingdom's high dependency on oil, volatility in the global oil prices and inefficiencies in the economy, the government has been focusing on reducing the reliance of Saudi economy on Oil & Gas sector. The envisioned transition and growth are underpinned by various initiatives of the National Transformation Program (NTP) and Vision 2030 which were launched in 2016. The NTP is aiming to revitalize the Saudi economy through increased private sector participation and greater spending by households driven by lower unemployment rates. NTP defined several national priorities based on Vision 2030's strategic objectives. These priorities include:

- Ensuring food security by developing a sustainable and efficient local food production system, by establishing partnerships with countries rich in natural resources to secure external food supply and by reducing food wastage in the Kingdom.
- Improving the quality and efficiency of the healthcare services while promoting healthy lifestyle habits (healthy foods and exercise) primarily through specialized health awareness campaigns. One of the initiatives includes "Establish the National Center for Marketing and Promotion of Fish Products Consumption" that will raise public awareness of health benefits associated with seafood consumption.
- Improving the Kingdom's business environment by increasing private sector participation, growing the share of SMEs, boosting infrastructure investments and reducing bureaucratic burden on business.
- Growing new economic sectors such as tourism, IT, leisure and manufacturing.
- Developing Saudi human capital through investment in a national education system and provision of necessary trainings.
- Enhancing the efficiency of human capital by developing all the components of the education and training system such as trainers, teachers, curricula and training environment.
- Growing local labor force participation through implementation of the Saudization program and promotion of female participation in the labor force.

The Kingdom is expected to spend over SAR 260 billion during the five-year period beginning in 2016G to support the NTP initiatives and transform the Kingdom into a dynamic and globally competitive economy. The impact of these initiatives is expected to trickle down to consumers in the form of increased employment and spending power thus resulting in higher spending in the F&B sector.

3.3.3 Demographics

Average population growth in Saudi Arabia has largely been flat during 2017G-2020G primarily due to drop in number of expats. Drop in expat numbers is mainly due to the Saudization program, increase in expat fees, lower oil prices and impact of COVID-19 pandemic on industries such as retail and travel. Saudization initiative is expected to increase the employment and disposable income of the Saudi population, thereby leading to increased consumer expenditure. The population is however expected to grow at a growth rate of 1.2% CAGR during 2020G-2025G.

The average household size in the Kingdom in 2020G was 5.5 members per household, which is higher compared to countries such as the U.S. (2.6 members) and the U.K (2.4 members). The large average household size affects the way people buy food in the Kingdom. Typically, households buy larger quantities of food per transaction to sustain the family for a longer time. Such a trend promotes the shift from traditional baqalas to large scale modern grocery retail sales channel such as hypermarkets and supermarkets because they offer a greater variety of food as compared to traditional baqalas.

Table (3-6): Demographics overview

	2017G	2018G	2019G	2020G	2025G(f)	CAGR (2017G-2020G)	CAGR (2019G-2025G)
Population (mn)	33.1	33.7	34.0	32.9	34.8	-0.2%	1.2%
Number of households (mn)	6.0	6.1	6.1	5.9	6.3	-0.2%	1.2%
Average household size (members)	5.6	5.6	5.6	5.5	5.5	n / a	n / a
Total consumer expenditure (SAR bn)	1,109	1,162	1,203	1,174	1,492	1.9%	4.9%
Consumer expenditure on Food and Beverages (SAR bn) (1)	227	237	245	241	302	2.0%	4.6%

Source: Euromonitor International Limited, Economies & Consumers 2021ed.

Note: (1) Consumer expenditure on food and beverages includes food products and beverages purchased for consumption at home.

Disposable income per capita has been growing at 5.5% CAGR during 2017G-2019G reaching SAR 29,600 in 2019G. In 2020G, as a result of COVID-19 pandemic, disposable income per capita in the Kingdom declined by 10.8%. Despite the short-term contraction, disposable income is forecasted to grow at a CAGR of 4.7% during 2020G-2024G, which will positively affect consumer spending and expenditure on Food and Beverages. Consumer expenditure on F&B has been growing at 3.4% CAGR during 2017G-2019G and is expected to continue to grow at 4.6% CAGR until 2024G. Saudi Arabia's expected economic recovery during 2021G-2022G, supported by the positive developments with several successful vaccine announcements, is expected to provide positive momentum to per capita disposable income and expenditure on F&B.

Table (3-7): Disposable income overview

	2017G	2018G	2019G	2024G	CAGR (2017G-2019G)	CAGR (2020G-2024G)
Disposable income per capita (SAR)	26,600	29,800	29,600	26,400	31,700	4.7%

Source: Fitch

During 2016G-2019G, the Kingdom maintained a relatively stable unemployment rate which ranged 5.6%-6.1% for the total population. Unemployment rate for Saudi men and women fell by 1.0% and 3.7% respectively as a result of the Kingdom's Saudization program. In 2020G, total unemployment rate increased to 9.0% due to global COVID-19 pandemic which resulted in a fall in oil prices and global & local lockdown measures. Unemployment rate for Saudi men increased by 3.2% as a result of COVID-19 pandemic, whereas Saudi women increased by 0.6%. The Saudi Ministry of Finance expects employment rates to normalize and the unemployment rate among Saudi nationals to fall amid expectations for gradual economic recovery in early 2021G.

The Kingdom's labor participation rate during 2016G-2020G has increased from 56.5% to 59.4% in H1 2020G of the eligible population. As a result of the Saudization program along with numerous initiatives targeted at increasing women's labor participation, non-Saudis participation rate dropped from 76.2% in 2016G to 73.9% in H1 2020G, while Saudi nationals' participation rate increased by 6.6%, with Saudi men's labor participation increasing by 1.0% and Saudi women's by 12.1%. Saudi women participation in the labor force has also been supported by the 2017G government directive that permitted women to drive, thus, making them more mobile.

3.3.4 Tourism

Growing tourism has a positive impact on the food and beverage industry because a greater number of visitors results in a larger addressable market for the F&B sector. Such positive impact is captured primarily by the foodservice industry, which is often the key channel through which tourists contribute to the F&B sector. Global trends suggest that travelers typically dine out more frequently compared to the local population.

Tourism (leisure and religious) is one of the focus sectors of Vision 2030 and the National Transformation Program. The Kingdom is targeting an ambitious goal of hosting 100 million tourists per year by 2030 and increasing tourism's contribution to GDP to 10%. Saudi Arabia is rapidly opening the Kingdom to both leisure and religious tourists by easing the visa process, spending significant funds on marketing initiatives, and investing in leisure and entertainment infrastructure. Religious tourists' interest in Saudi Arabia keeps growing due to the Kingdom's important historical role. Annual Islamic pilgrimage to Makkah, brings 1.8-2 million Hajj visitors annually. Leisure tourism is also growing due to travelers' increasing interested in exploring the Kingdom's culture, natural wonders and historic attractions.

The Kingdom saw 17.3 million inbound arrivals in 2019G, which represents an increase of 1.2 million over 2017G, representing 3.7% CAGR growth. However, the number of inbound arrivals declined by ~80% in 2020G due to the global COVID-19 pandemic which resulted in a complete or partial cessation of international travel. Number of inbound arrivals is however forecasted to grow rapidly during 2020G-2025G, at 42.2% CAGR as a result of global economic recovery and Kingdom's multiple initiatives aimed at promoting the sector.

Table (3-8): Saudi Arabia's tourism overview

	2017G	2018G	2019G	2020G	2024G(f)	CAGR (2017G-2020G)	CAGR (2020G-2025G)
Number of inbound arrivals (mn)	16.1	15.3	17.3	3.6	21.1	39.2%	42.2%

Source: Euromonitor International Limited, Travel 2021ed. arrivals for year 2020G are based on part-year estimate

Note: Inbound Arrival refers to non-resident overnight visitors to the country of reference, travelling for business and leisure purposes, excluding same day visitors

3.4 Kingdom's F&B Market Overview

3.4.1 Food market overview and key trends

Saudi food market is estimated to be SAR 195 billion in 2019G and is projected to grow at 6.4% CAGR during 2019G-2021G, according to the Saudi Ministry of Investment. The largest component of the market is meat and poultry, which is the Company's core business. Several factors are fueling the growth in Saudi Arabia's food market:

- Increasing population, which is forecasted to grow at 1.4% CAGR during 2019G-2024G, will lead to a larger addressable market.
- Disposable income per capita is projected to grow at 4.7% CAGR during 2020G-2024G. In turn, consumer expenditure on food is projected to increase at 4.6% CAGR during 2019G-2024G.
- The Kingdom's focus on the tourism sector as part of Vision 2030 is expected to result in a strong influx of tourists in the future, further spurring growth in the Saudi food market.

Table (3-9): Saudi Arabia's food and beverage market size

	2013G	2014G	2015G	2016G	2017G(e)	2018G(e)	2019G(e)	2020G(f)	2021G(f)	CAGR (2013G-2021G)
F&B sales (SAR, billion)	135.0	142.5	150.0	165.0	172.5	183.8	195.0	206.3	221.3	6.4%

Source: Saudi Ministry of Investment

One of the key food consumption trends both globally and in the Kingdom is growing consumer demand for healthy food products. High proportion of urban population (~83%) in KSA and resulting lifestyle changes is fueling the demand for healthy food products. During the COVID-19 pandemic, Ministry of Health in Saudi Arabia initiated a health awareness campaign (named "Fast Healthy") focusing on encouraging the society to follow a healthy lifestyle through balanced diet and exercise in order to boost the immune system. The shift to healthier food consumption is expected to further strengthen over time due to government's continuous promotion of healthy lifestyle and wide internet and social media penetration, with a growing number of channels and influencers promoting and educating the general population about healthy food habits. This trend can be illustrated by the rising consumption of unprocessed cheese, which is considered healthier and is growing at 4.7% CAGR since 2014G. Similarly, consumption of frozen fruit and vegetables, a category that is viewed as a healthy food option, is projected to grow at 4.3% CAGR until 2024. The Company with its product portfolio comprising of categories such as Olive oil, frozen fruits, Dairy and Vegetables is well positioned to capitalize on the healthier food consumption trends.

Regulatory standards are another key driver behind food consumption habits in the Kingdom. In 2018G, the Saudi Food and Drugs Authority (SFDA) launched a strategy aiming to reduce the level of sugar, salt, saturated and trans-fat in food, and mandated cafes and restaurants to list calorie levels on all products.

SFDA has also introduced a legislation that bans the use of partially hydrogenated oils in foods following trans-fat limit regulations, which has come to full effect in 2020G. In 2019G, SFDA introduced new regulation that obliges bakeries to limit salt content of their products to 1%. Saudi government's focus on providing Saudi population with high-quality food that meets stringent safety standards is also reflected in the Kingdom's imports policies. The government has moved swiftly to reduce or completely ban imports of food categories that do not meet the Kingdom's stringent quality and safety standards. For example, during 2017G-2020G, the Kingdom temporarily banned imports of poultry from a selection of large South American manufacturers because they did not adhere to Saudi Food and Drug Authority specifications.

In addition, it is reported that Saudi food consumers are becoming more price-sensitive because of the introduction of a 5% VAT in 2018G and further increase of VAT in 2020G to 15%. Consumers are increasingly opting for brands or products that are cheaper or are on promotion. As a result, manufacturers are often forced to turn to promotions especially in the Modern Grocery channels such as supermarkets / hypermarkets to maintain their market shares.

Saudi vision 2030 and the NTP program is resulting in an increase in participation of Saudi women in the labor force. This is expected to result in the rising demand for convenience based ready-to-cook and ready-to-eat meals (shelf stable, frozen, chilled and dried meals). Increased employment of Saudi men and women leaves families less time to prepare food at home and, as a result, many may opt for quick food options. Food manufacturers and distributors are also increasing the variety of shelf-stable and frozen products in their portfolio in response to consumers changing consumption patterns. Ready-to-eat meals are projected to grow at 2.9% CAGR in terms of volume and 1.8% CAGR in sales during 2019G-2024G.

3.4.2 Food production & consumption analysis

Saudi Arabia's imports approximately 70% of its food consumption as local production is not enough to meet the local demand. The level of imports however varies with some categories highly dependent on imports e.g. 98% of cereal consumption is imported, while others such as Dairy products and its derivatives where Saudi Arabia is a net exporter.

Saudi Arabia consumed an estimated 43 kg of poultry per capita in 2019G, which is one of the highest in the world. However, local production (0.72 million tons in 2020) is currently not able to satisfy local demand (1.6 million tons in 2020G) with the shortfall being covered by imports. In 2020G, the Kingdom has improved its self-sufficiency reaching 45% self-sufficiency in poultry. In order to mitigate potential shortage of meat products, Saudi Arabia is increasingly investing into development of local production capabilities as well as food plants abroad to diversify country-related import risks as part of the NTP program. The program's success is evident through higher growth of local meat production compared to consumption. Meat production has been growing at 2.4% CAGR during 2017G-2019G and is projected to grow at 2.3% during 2019G-2024G. Meanwhile, consumption of meat products has been growing at 2.2% CAGR during 2017G-2019G and is projected to grow at 2.0% during 2019-2024.

The Kingdom has strong local dairy production capabilities and local production especially of milk is much higher than local consumption demand, thus turning the Kingdom into one of the largest milk exporters in the world in terms in value terms. However, the Kingdom is still reliant on imports of certain other dairy products such as cheese.

Saudi Arabia is dependent on cereal imports to meet its large local demand because it produces small amount of cereals. Cereals include wheat, maize, rice, and other coarse grains. Despite growing local cereal production at 12% CAGR during 2017G-2019G, the Kingdom is only 2% self-sufficient in cereals, as compared to approximately 25% in 2006G.The key cause behind the declining self-sufficiency in cereals is the Kingdom's decision to abandon its 2008G plan to reduce dependency on cereals imports driven by Saudi scarce water resources.

Saudi Arabia imports ~70% of its Fish and Seafood consumption. Its self-sufficiency increased during 2017G-2019G as local production grew at 2.5% CAGR while consumption remained largely flat. Local demand for Fish and Seafood products is projected to grow at 3.2% CAGR during 2019G-2024G spurred by the healthy food consumption trend.

Table (3-10): Saudi Arabia's local food production and consumption, '000 tons

		2017G	2018G	2019G	2024G(f)	CAGR (2017G-2019G)	CAGR (2019G-2024G)
Meat[1]	Consumption	1,838	1,880	1,921	2,118	2.2%	2.0%
	Production	733	751	769	861	2.4%	2.3%
Dairy	Consumption	1,572	1,619	1,667	1,916	3.0%	2.8%
	Production	3,799	3,894	3,988	4,485	2.5%	2.4%
Vegetable Oils	Consumption	781	804	829	953	3.0%	2.8%
	Production	128	138	143	152	5.9%	1.2%
Cereals	Consumption	19,610	20,427	20,861	23,076	3.1%	2.0%
	Production	286	355	359	398	12.0%	2.1%
Fish & Seafood	Consumption	417	408	417	488	0.0%	3.2%
	Production	117	120	123	136	2.5%	2.0%

Source: OECD

(1) Meat includes poultry, beef, veal and sheep meat

3.4.3 Food categories analysis in retail channel

The Company operates in several large food categories such as Chicken (Frozen), Red Meat (Frozen & Chilled), Frozen Seafood, Frozen Fruit & Vegetables, Dairy, Olives & Olive oil and Rice. Most of these categories have shown healthy growth and are expected to continue to growth steadily in the coming years.

3.4.3.1 Chicken (Frozen & Chilled)

Table (3-11): Saudi Arabia Chicken (Frozen & Chilled) sales

	Units	2017G	2018G	2019G	2024G(f)	CAGR (2017G-2019G)	CAGR (2019G-2024G)
Chicken (Frozen & Chilled) (1)	SAR million	3,160	3,238	3,064	3,405	-1.5%	2.1%
	000 tons	238	221	198	216	-8.7%	1.7%

Source: Nielsen, Arthur D. Little Research & Analysis

(1) Category includes frozen & chilled whole chicken, chicken parts and processed chicken products

All food category data covered in this prospectus is based on published research covering modern and traditional retail channels. We are not aware of any credible published research on the foodservice market in the Kingdom. Based on anecdotal evidence the frozen food segment in the foodservice market can be several times that of the frozen food in the grocery retailing market.

Part of the chicken demand in the Kingdom is served by imports with most of chicken products imported into the country in frozen form. The Whole Chicken represents almost 50% of the entire Chicken (Frozen and Chilled) category. While Whole Chicken sub-category experienced a decline of 7.8% CAGR during 2017G-2019G in value terms, other subcategories such as Chicken parts and FPP grew at 1.8% and 2.6% respectively. Whole Chicken sub-category is however forecasted to grow at 1.4% CAGR during 2019G-2024G. Poultry products are forecasted to grow over the next five years as they are considered healthy by the consumers.

Demand for frozen poultry and frozen processed meat products is expected to grow significantly due to the expected revival of the tourism sector, projected increase in disposable income per capita driven by the Saudization program and increased participation of Saudi women in the Kingdom's labor force. Saudi Households are expected to opt for ready-to-eat or ready-to-cook poultry and meat products that can be purchased in larger quantities and stored for an extended period.

The largest players in the Chicken retail market (Frozen) category include Sadia, Doux and other local brands. Doux brand is distributed by the Company. The Company has 26.8% market share by value of the Frozen Whole Chicken market as of Oct. 2020G. In addition, the company is investing in the new factory expansion in order to meet the demand evolution of the chicken parts and FPP product range.

3.4.3.2 Processed Red Meat (Frozen & Chilled)

Table (3-12): Saudi Arabia Processed Red Meat (Frozen & Chilled) sales

	Units	2017G	2018G	2019G	2020G	2025G(f)	CAGR (2017G-2020G)	CAGR (2020G-2025G)
Processed Red Meat (Frozen & Chilled)	SAR million	595.1	612.4	629.3	693.7	912.1	5.2%	5.6%
	000 tons	21.6	22.1	22.4	23.5	29.7	2.9%	4.8%

Source: Euromonitor International Limited, Packaged Food 2021ed, Retail Value RSP including sales taxes, Current Prices

All food category data covered in this prospectus is based on published research covering modern and traditional retail channels. We are not aware of any credible published research on the foodservice market in the Kingdom. Based on anecdotal evidence the frozen food segment in the foodservice market can be several times that of the frozen food in the grocery retailing market.

Processed Red Meat (Frozen & Chilled) has grown at 5.2% CAGR in sales value and 2.9% CAGR in volume during 2017G-2020G. The Processed Red Meat (Frozen & Chilled) category is projected to grow 5.6% CAGR in sales value and 4.8% CAGR in volume during 2020G-2025G. The growth will be primarily driven by the increased interest of consumers in processed ready-to-cook and ready-to-eat food options. Such shift is caused by the Kingdom's Saudization efforts and encouragement of women to participate in the labor force. Thus, Saudi nationals will have less time available for cooking and would opt for rapid meal options over those that require extensive cooking.

On a sub-category level, the Company has a strong position in the Minced Beef sub-category (34% of market share) in 2020G. Similarly, in Minced Mutton sub-category, the Company gained market share (grew from 30.2% in 2018G to 37.7% in 2020G) by taking away market share from the competition.

3.4.3.3 Frozen Processed Fruit and Vegetables

Table (3-13): Saudi Arabia Frozen Processed Fruit and Vegetables sales

	Units	2017G	2018G	2019G	2020G	2025G(f)	CAGR (2017G-2020G)	CAGR (2020G-2025G)
Frozen Processed Fruit & Vegetables (1)	SAR million	569.9	610.1	643.7	702.5	939.8	7.2%	6%
	000 tons	60.7	62.4	64.5	67	81.5	3.3%	4%

Source: Euromonitor International Limited, Packaged Food 2021ed, Retail Value RSP including sales taxes, Current Prices

(1) Includes all types of packaged frozen fruit and vegetables. Processing includes the deshelling/peeling and cutting process making the product ready to cook or the addition of other ingredients.

All food category data covered in this prospectus is based on published research covering modern and traditional retail channels. We are not aware of any credible published research on the foodservice market in the Kingdom. Based on anecdotal evidence the frozen food segment in the foodservice market can be several times that of the frozen food in the grocery retailing market.

Frozen Fruit and Vegetables is one of the fastest growing categories within the Company's portfolio. The category grew at 7.2% CAGR in sales and 3.3% CAGR in volume during 2017-2020G and is projected to grow at 6% CAGR in sales and 4% CAGR in volume during 2020-2025G. The Company commands a market share for 39.0% of the Frozen Fruit & Vegetables market by value during 2020G.

The Frozen Fruit and Vegetables category's growth is fueled by the health-conscious young consumers in the Kingdom. This trend is expected to further strengthen in the future due to wide internet and social media penetration, with channels such as Instagram, YouTube and others continuously promoting and educating the population about healthy food habits. Another trend that is supporting the category's growth is the rising number of working women in the Kingdom who are turning to frozen fruit and vegetables as healthy, nutritious and affordable foods that can be stored for longer duration.

3.4.3.4 Dairy

Table (3-14): Saudi Arabia Dairy sales

	Units	2017G	2018G	2019G	2020G	2025G(f)	CAGR (2017G-2020G)	CAGR (2020G-2025G)
Dairy (1)	SAR million	14,832	14,626	14,731	15,536	18,913	1.6%	4%
	000 tons	1,587	1,467	1,459	1,537	1,760	1.1%	2.7%

Source: Euromonitor International Limited, Packaged Food 2021ed, Retail Value RSP including sales taxes, Current Prices

(1) Contains cheese, milk, butter, yoghurt & sour milk, Labneh and other dairy.

All food category data covered in this prospectus is based on published research covering modern and traditional retail channels. We are not aware of any credible published research on the foodservice market in the Kingdom. Based on anecdotal evidence the frozen food segment in the foodservice market can be several times that of the frozen food in the grocery retailing market.

Overall, Dairy category in retail channel grew at CAGR of 1.6% in terms of sales value during 2017G-2020G. However, the category is projected to regain growth momentum and grow at 4% CAGR in sales value and 2.7% in volume during 2020G-2025G.

Drinking Milk, the largest sub-category within Dairy, has grown by 1.3% CAGR during 2017G-2020G in terms of sales value. The Drinking Milk sub-category is forecasted to grow at 1.2% CAGR during 2020G-2025G. The largest player in Drinking Milk products is Almarai Joint Stock Company which has a strong brand and extensive distribution. The category is undergoing gradual shift driven by health-conscious consumer to products such as low fat and skimmed milk, and organic milk. The trend is being led by Danya Foods with its Arla Organic brand launched in 2018G. Health-conscious consumers are also showing more interest in alternative milk products, a sub-category dominated by Alpro brand.

Another large dairy sub-category, Cheese, grew by 2% CAGR during 2017G-2020G. The key driver of this growth was increase in consumption of unprocessed cheese which grew at 3.2% CAGR during 2017G-2020G as consumers are increasingly opting for unprocessed cheeses such as feta and mozzarella. The Company's market share in the Shredded Cheese sub-category grew strongly from 7.8% in 2018G to 11.7% as of 2020G July. Similarly, the Company increased its market share in the cheese slices sub-category from 4.8% in 2018G to 5.4% as of 2020G July. Overall, pricing has played a strong role in cheese sales. Due to the introduction of VAT in 2018G and further increase of VAT in 2020G to 15%, consumers are opting for cheaper brands or products that are on promotions. As a result, modern retailers, specifically hypermarkets, managed to grow their cheese sales by offering frequent promotions.

Labneh sub-category continued to perform well in 2019G since it remains popular among a range of different nationalities in Saudi Arabia, as well as among locals. Pinar Dairy Food Co is the leader in Labneh category. The Company with its brand President and Dari saw strong growth in 2019G-2020G and if the second largest player with its market share reaching 29.4% in July 2020G.

Butter and spreads sales have largely remained flat during 2017G-2019G. The category has potentially been impacted by the 2018G VAT introduction and 2020G VAT increase because it is not considered to be essential. Butter and spreads category is also negatively impacted as they are considered unhealthy. Consumers are switching to modern retailers for their Butter and Spread purchase due to greater variety and frequent promotions. The segment is strongly dominated by Almarai followed by Lurpak and Farm.

3.4.3.5 Edible Oils

Table (3-15): Saudi Arabia Edible Oils sales

	Units	2017G	2018G	2019G	2020G	2025G(f)	CAGR (2017G-2020G)	CAGR (2020G-2025G)
Edible Oils (1)	SAR million	1,706	1,702	1,725	1,873	2,305	3.2%	4.2%
	000 tons	143	134	133	137	154	1.4%	2.5%

Source: Euromonitor International Limited, Packaged Food 2021ed, Retail Value RSP including sales taxes, Current Prices

(1) Contains all oils made of seeds/fruits.

All food category data covered in this prospectus is based on published research covering modern and traditional retail channels. We are not aware of any credible published research on the foodservice market in the Kingdom. Based on anecdotal evidence the frozen food segment in the foodservice market can be several times that of the frozen food in the grocery retailing market.

Edible oil category is forecasted to grow at 4.2% CAGR in sales value and 2.5% CAGR in volume during 2020G-2025G. Edible oil category is comprised of Olive oil (20% market share by value), Corn oil (28%), Sunflower oil (38%), Rapeseed oil (3%), and others. Olive oil has been growing the fastest during 2017G-2020G at 4.6% CAGR in terms of sales value. It is forecasted to remain the fastest growing sub-category with projected sales growth of 2.2% CAGR during 2020G-2025G. After olive oil, the fastest growing sub-category is Sunflower oil which is forecasted to grow at 2.1% CAGR during 2020G-2025G.

Olive oil is popular in the Kingdom due to its healthy properties. It is rich in healthy monounsaturated fats and antioxidants. Olive oil has a strong growth potential as health and wellness products are growing in popularity in the Kingdom. Olive oil is imported from abroad in large quantities; however, local production is growing. Al Jouf Agricultural Development Company owns the largest olive tree farm in the world that has 5 million olive trees. The Company launched its olive oil product under the flagship Coopoliva brand which is positioned as a high-quality international brand. This positions the Company strongly in the fastest growing oil category and further strengthens the Company's product portfolio catering to consumers demanding healthier products.

3.4.3.6 Rice

Table (3-16): Saudi Arabia Rice sales

	Units	2017G	2018G	2019G	2020G	2025G(f)	CAGR (2017G-2020G)	CAGR (2020G-2025G)
Rice	SAR million	2,670	2,529	2,541	2,900	3,908	2.8%	6.1%
	000 tons	344	321	322	349	438	0.5%	4.6%

Source: Euromonitor International Limited, Packaged Food 2021ed, Retail Value RSP including sales taxes, Current Prices

All food category data covered in this prospectus is based on published research covering modern and traditional retail channels. We are not aware of any credible published research on the foodservice market in the Kingdom. Based on anecdotal evidence the frozen food segment in the foodservice market can be several times that of the frozen food in the grocery retailing market.

Rice is a commoditized and highly price-sensitive product. Rice has been growing in terms of sales value and volume during 2017G-2020G at 2.8% CAGR and 0.5% CAGR respectively. However, it is forecasted to grow at 6.1% CAGR in terms of sales value and 4.6% CAGR in volume during 2020G-2025G. The category is dominated by a Saudi brand Abu Kas that is the largest provider of basmati rice.

Rice is a large category due to its inclusion in majority food recipes in the region as well as in expats' home countries. It is seen as a relatively healthy food option when consumed in moderation and is, therefore, well positioned to benefit from the general consumption shift towards healthier food products. The Company entered this category a few years back as rice compliments their existing product portfolio distributed to its clients in the food services sector.

3.4.3.7 Sauces, Dressings and Condiments

Table (3-17): Saudi Arabia Sauces, Dressings and Condiments sales

	Units	2017G	2018G	2019G	2020G	2025G(f)	CAGR (2017G-2020G)	CAGR (2020G-2025G)
Sauces, Dressings and Condiments [1]	SAR million	3,185	3,344	3,457	3,774	4,635	5.8%	4.2%
	000 tons	231	232	239	251	288	2.9%	2.8%

Source: Euromonitor

(1) Contains table sauces, cooking ingredients, dips and other.

All food category data covered in this prospectus is based on published research covering modern and traditional retail channels. We are not aware of any credible published research on the foodservice market in the Kingdom. Based on anecdotal evidence the frozen food segment in the foodservice market can be several times that of the frozen food in the grocery retailing market.

The Sauces, Dressings and Condiments category is growing, with both sales value and volumes growing by 5.8% and 2.9% respectively during 2017G-2020G. It is projected to grow by 4.2% in terms of sales value and 2.8% in volume during 2020G-2025G. The category is comprised of Cooking Ingredients, Dips, Pickled Products, Table Sauces, Tomato Pastes & Purees and Other. Saudi Dairy & Foodstuff (SADAFCO) is the leader in this category. The Company is present in the category through the sale of ketchup, sauces and mayonnaise.

The category is currently transitioning to healthier products as a result of consumers' shifting focus towards healthier food options. Players responded to the health and wellness trend by launching light and low-fat offerings. Similarly, market players are launching more organic products that contain no artificial ingredients.

3.5 Food Retail Analysis

Food and beverage sales are typically covered through retail and foodservice channels. Foodservice mainly includes restaurants and catering. Majority of F&B sales in restaurants come from full-service and limited service restaurants. Within grocery retail, consumers purchase F&B products through modern (hypermarkets, supermarkets etc.) and traditional (baqalas) channels both online and offline.

3.5.1 Grocery retailing overview

The Saudi grocery retail space consisted of more than 41,000 outlets in 2020G. Total in-store grocery retail sales declined by 0.4% CAGR during 2015-2020G but are forecasted to grow at a CAGR of 2.8% during 2020G to 2025G. In addition, Grocery e-commerce has experienced high growth in 2020G due to the COVID-19 pandemic.

In-store grocery retailers can be divided into modern retail (grocery retail chains) and traditional retail (independent grocery retailers, typically small shops/baqalas). Of the total grocery retail outlets –traditional grocery retailers accounted for 85% with over 35,000 outlets while modern grocery retailers account for 15% with nearly 6000 outlets in 2020G. Saudi Arabia's grocery retail segment saw continuous growth until 2017G, when number of outlets reached over 44,000 outlets. With the implementation of VAT and drop in number of expats in the country, grocery retail outlets saw a decline till 2020G with traditional outlets accounting for majority of this decline. Within larger format stores, modern grocery retailers can offer a greater selection of products and brands at relatively lower prices with the ability to organize frequent discounts/promotions. Modern retailers are thus growing at the expense of traditional grocery retailers. During 2015G-2020G, modern grocery retailers have increased their share of sales by 6% (from 40% to 46%) and are forecasted to further increase their share to 47% by 2025G. However, modern trade still controls less than 50% of total grocery retail sales – significantly less than the share in developed markets (where it is 70%-90%).

Table (3-18): Saudi Arabia's store-based grocery retail sales (SAR, million)

	2015G	2016G	2017G	2018G	2019G	2020G	2025G(f)	CAGR (2015G-2020G)	CAGR (2020G-2025G)
Modern Grocery Retailers	57,292	60,253	59,566	56,429	56,501	64,219	75,224	2.3%	3.2%
Convenience Stores	3,705	3,514	3,444	2,758	2,820	2,880	3,749	-4.9%	5.4%
Discounters	245	443	516	476	266	289	375	3.4%	5.3%
Forecourt Retailers	3,561	3,718	3,668	3,501	3,503	2,849	3,897	3.4%	5.3%
Hypermarkets	16,746	17,393	16,681	16,180	16,218	18,898	22,035	2.4%	3.1%

	2015G	2016G	2017G	2018G	2019G	2020G	2025G(f)	CAGR (2015G-2020G)	CAGR (2020G-2025G)
Supermarkets	33,035	35,186	35,257	33,514	33,695	39,304	45,169	3.5%	2.8%
Traditional Grocery Retailers	84,401	87,593	86,569	83,020	80,604	74,322	83,706	-2.5%	2.4%
Total	**141,693**	**147,846**	**146,136**	**139,449**	**137,105**	**138,541**	**158,930**	**-0.4%**	**2.8%**

Source: Euromonitor International Limited, Retailing 2021ed, RSP including sales taxes, Current Prices

Table (3-19): Saudi Arabia's in-store grocery retailers' number of outlets

	2015G	2016G	2017G	2018G	2019G	2020G	2025G(f)	CAGR (2015G-2020G)	CAGR (2020G-2025G)
Modern Grocery Retailers	5,782	5,997	6,127	5,966	5,939	5,953	6,302	0.6%	1.1%
Convenience Stores	682	602	581	443	454	454	508	-7.8%	2.3%
Discounters	80	170	200	186	103	103	118	5.2%	2.8%
Forecourt Retailers	3,850	3,970	4,023	3,980	4,019	4,028	4,176	0.9%	0.7%
Hypermarkets	216	224	247	264	265	258	294	3.6%	2.6%
Supermarkets	954	1,031	1,076	1,093	1,098	1,110	1,206	3.1%	1.7%
Traditional Grocery Retailers	37,648	37,947	38,030	36,927	35,948	35,132	38,310	-1.4%	1.7%
Total	**43,430**	**43,944**	**44,157**	**42,893**	**41,887**	**41,085**	**44,612**	**-1.1%**	**1.7%**

Source: Euromonitor International Limited, Retailing 2021ed,

Table (3-20): Leading grocery retailing companies in KSA

Company	Brands
Savola Group	Panda Hyper Panda
Abdullah Al-Othaim	Al Othaim Al Othaim Corner
BinDawood	Danube BinDawood
Carrefour SA	Carrefour
Saudi Marketing	Farm Superstores
Lulu Group	Lulu
Tamimi Group	Tamimi Markets
Al Raya Markets Trading	Al Raya
Al Sadhan Trading	Al Sadhan

Source: Euromonitor International Limited, Retailing 2021ed,, Arthur D. Little Research & Analysis

3.5.1.1 Modern grocery retailing: supermarkets

Supermarkets have several advantages over convenience stores and traditional retailers. They offer a larger variety of products and better prices. Supermarkets witnessed strong growth in 2015G-2016G, but they struggled during 2017G-2018G as some expats left the country and VAT introduction in 2018G. However, the sales have rebounded sharply during the COVID-19 pandemic (17% growth during 2019G-2020G) and expected to grow at 2.8% during 2020G – 2025G. There are two large supermarket players in the Kingdom – Al Othaim and Panda.

3.5.1.2 Modern grocery retailing: hypermarkets

Hypermarkets benefit significantly from the modernization of grocery retailing because they can offer clients higher variety of products compared to other channels while maintaining some of the lowest prices which are often at par with discounters. Hypermarkets are facing intensifying competition as all hypermarkets are increasingly offering promotions and discounts in order to attract more customers and increase sales. The market leaders include Hyper Panda and BinDawood Group which controls Danube and BinDawood brands.

3.5.1.3 Modern grocery retailing: convenience stores

Convenience stores are facing increasing competition from supermarkets and hypermarkets on one hand and traditional grocery retailers on the other hand. While number of convenience stores decreased by ~33% during 2015G – 2020G, their numbers are expected to grow by ~12% between 2020G and 2025G due to increasing demand. The convenience stores market in Saudi Arabia is highly fragmented and Meed is the market leader in this segment.

3.5.1.4 Grocery e-commerce evolution

Grocery e-commerce is currently considered a promising high-growth investment area. It has been growing steadily over the past years due to the continuous shift to online shopping. Saudi Arabia is a key online grocery market in the region in terms of growth potential and absolute size. Moreover, a high internet penetration rate (94%) in Saudi Arabia combined with the young population (median age 31.8 years), are key forces that will drive grocery e-commerce. Previously, e-commerce was focused mainly on non-F&B items such as technology products, clothing and others. Recently, however, more platforms are offering F&B products online.

Many modern grocery retailers are focusing on growing the online segment. BinDawood, one of the largest food retailers in the Kingdom, launched an application offering a large selection of products and brands at affordable prices that users can have delivered straight to their home. Carrefour, another large modern grocery retailer also has grocery e-commerce platform through which users can order groceries and get them delivered for free. In 2019G, online e-commerce platform Wadi.com has completely reoriented its business from selling non-food items to focusing on groceries.

Besides modern grocery retailers, large marketplaces such as Amazon and Souq.com (acquired by Amazon) have been providing grocery deliveries in KSA for a few years.

In addition to large players developing the segment, smaller Saudi-based food and beverage delivery startups have emerged over the past 3 years such as Haseel, ToYou, and Zad Fresh. The most successful of them is Nana Direct, a Riyadh-based online grocery delivery startup established in 2016G that currently sells over 13,000 items. Nana Direct has raised USD 29 million till date, making it one of the most funded Saudi-based startups.

Considering the 2020G COVID-19 pandemic, grocery e-commerce has skyrocketed and expedited the shift from in-store to online grocery retailing. The trend is likely to last even after the COVID-19 pandemic is over as many people will continue to order groceries online instead of buying from in-store.

3.6 Consumer Foodservice Market

3.6.1 Consumer foodservice market overview

The Saudi consumer foodservice market is a big market for F&B companies. In several categories the sales to consumer foodservices sector is multiple times that of retail sector. The Saudi consumer foodservice market is size was an estimated SAR 81.6 billion as of 2019G and has been growing at 4.9% CAGR since 2014G. The market declined to SAR 51.7 in 2020G due to COVID-19 pandemic. However, consumer foodservice sales are forecasted to rebound with a growth of 10.2% CAGR during 2020G-2025G. The number of outlets also saw a drop during 2019G-2020G but are forecasted to increase by 4,894 and reach 39,773 during 2020G-2025G period. Majority of consumer foodservice sales (~90%), are expected to come from full and limited-service restaurants. Large distributors and manufacturers in the F&B sector are increasingly focusing on the consumer foodservice market to grow their sales.

~70% of the consumer foodservice market is held by the independent restaurants and the remaining 30% are held by chained. Independent consumer foodservice restaurants include businesses that have less than 10 outlets and low brand recognition. The largest chained players include McDonald's, Herfy, KFC, Kudu and Al Baik.

Table (3-21): KSA consumer foodservice sales (SAR mil) and outlets (number) evolution

	Type	2015G	2016G	2017G	2018G	2019G	2020G	CAGR (2015G-2020G)	2025G(f)	CAGR (2020G-2025Gf)
Cafes	Sales	4,612	5,055	5,510	5,999	6,440	4,054	-2.5%	6,929	11.3%
	Outlets	3,107	3,250	3,385	3,558	3,751	3,716	3.6%	4,219	2.6%
Full-Service Restaurants	Sales	41,454	44,301	45,651	47,017	47,749	28,767	-7.0%	47,608	10.6%
	Outlets	14,280	14,628	14,903	15,007	15,220	14,759	0.7%	17,217	3.1%
Limited-Service Restaurants	Sales	22,008	23,571	25,237	25,727	27,003	18,617	-3.3%	29,320	9.5%
	Outlets	14,389	15,530	16,026	16,081	16,327	15,570	1.0%	17,407	2.3%
Self-Service Caf-eterias	Sales	62	61	79	82	84	54	-2.7%	81	8.3%
	Outlets	20	21	23	23	24	18	-2.1%	26	7.6%
Street Stalls/ Kiosks	Sales	269	278	303	314	324	232	-2.9%	277	%3.6
	Outlets	748	762	828	840	872	816	1.8%	904	2.1%
Total	**Sales**	**68,405**	**73,265**	**76,780**	**79,139**	**81,600**	**51,725**	**-5.4%**	**84,215**	**10.2%**
	Outlets	**32,994**	**34,191**	**35,165**	**35,509**	**36,194**	**34,879**	**1.1%**	**39,773**	**2.7%**

Source: Euromonitor International Limited, Consumer Foodservice 2021ed.

3.6.1.1 Full-service restaurants

There were 15,220 full-service restaurants in the kingdom in 2019G, representing 56% of the total foodservice market in terms of sales and over 42% in terms of outlets. Compared to the other foodservice categories, full-service outlets generate significantly higher sales per outlet from a lower number of higher-value transactions. This category is dominated by independent restaurants which account for almost 85% of sales. Chained restaurants represent remaining 15% of sales and include players such as Pizza Hut, Steak House and Applebee's.

3.6.1.2 Limited-service restaurants

There were 16,327 limited-service restaurants in the kingdom in 2019G which represent 36% of the total foodservice market by sales and 45% by outlets. Limited-service restaurants can be subdivided by type of food: bakery, burger, Middle Eastern, chicken, ice cream, pizza, convenience stores, Asian, Latin American, fish, and other. Bakery, burger and Middle Eastern account for more than 70% of sales of all Saudi Arabia's limited-service restaurants. The category has equal distribution of independent and chained restaurants with each having 50% of sales in the limited-service restaurants market. The chained limited-service restaurants include international and some local brands such as McDonald's, Herfy, KFC, Kudu, Al Baik, Burger King, and Dunkin' Donuts.

3.6.1.3 Cafes

There were 3,651 cafes in the Kingdom in 2019G which represent almost 8% of the total foodservice market by sales and 11% of the total foodservice market by number of outlets. Cafes category can be subdivided into cafes, juice/smoothie bars and specialist coffee and tea shops. Cafes category has grown rapidly during 2015G – 2019G at a CAGR of 6.9% but experienced a drop of 37% in sales 2020G due to COVID-19 pandemic. However, the sales are expected to rebound and grow at a CAGR of 11.3% during 2020G – 2025G. Leading chained cafes includes players such as Starbucks, Costa Coffee, Molten Chocolate Cafe and Dr. Cafe.

3.6.1.4 Online food delivery

Similar to growth in grocery e-commerce, consumer foodservice is experiencing strong growth in online food deliveries in the Kingdom. The trend is expected to strengthen in the future as a result of the global COVID-19 pandemic which expedited the shift to e-commerce and food delivery. Anecdotal evidence suggests that the online foodservice in 2020G is significantly higher than in 2019G because physical foodservice outlets have been severely impacted by the lockdown and other COVID-19 measures, while food delivery services prospered. For example, Uber Eats global revenues reached USD1.4 billion in the three months to 30 September, growing 124% YoY. Similarly, Delivery Hero experienced a similar strong growth globally in Q3 2020G, with orders doubling YoY to almost 450 million, revenue increasing by 99% YoY to USD 952 million. Such evidence showcases a fundamental shift of a portion of the foodservice to online due to the COVID-19 pandemic.

Food delivery business is dominated by different companies such as HungerStation, Jahez etc. that deliver food from a large pool of restaurants. Local food delivery platforms are also starting to emerge e.g. a Riyadh-based food delivery startup, Jahez, raised SAR 135 million in Series A round in 2020G. The startup is forecasted to reach SAR 1 billion in revenue by the end of 2020G. Larger foodservice chains are also increasingly rolling out their own food delivery business in order to reduce their reliance on others. The largest chained restaurants such as McDonald's, Herfy and KFC all have their own delivery foodservice in addition to using established platforms such as Talabat and HungerStation.

3.6.2 COVID-19 impact on the consumer foodservice market

The restaurant market has been severely disrupted by the COVID-19 pandemic. The Kingdom's 2-month lockdown to prevent spread of COVID-19 restricted majority of economic activity including foodservice, with significant impact on in-person dining. During these difficult times, the Saudi Arabia's foodservice players focused on the delivery aspect of the business. Consumer foodservice delivery business has been growing steadily and rapidly in the Kingdom. As a result of COVID-19, consumer foodservice delivery business has grown rapidly in the region, however, it was still negatively affected during the 2-month lockdown in the Kingdom. As the world is progressing with COVID-19 vaccines, the consumer foodservice sector is expected to recover in the coming years.

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100%
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PRÉSIDENT
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Natural Mozzarella
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CREAM
كريمة الطبخ
PRÉSIDENT
pasteurized processed
CHEDDAR CHEESE
PRÉSIDENT
Labneh
275g
PRÉSIDENT
بريزيدن
Unsalted butter
زبدة غير مملحة
PRÉSIDENT
Cheddar

4. The Company

4.1 Overview of the Company and its Business Activities

Almunajem Foods Company is a Saudi joint stock company established under commercial registration no. 1010231822 dated 07/04/1428H (corresponding to 24 April 2007G) pursuant to ministerial resolution no. 196, dated 25/06/1442H (corresponding to 07/02/2021G). The current share capital of the Company is six hundred million Saudi Riyals (SAR 600,000,000) divided into sixty million (60,000,000) ordinary shares with a fully paid-up nominal value of SAR 10 per share. The Company's main activities comprise importing, marketing and distributing a range of frozen, chilled and dry food products to the Saudi foodservice sector.

The Company's journey started in 1950G, when Abdullah Ali Almunajem established a foodstuff sole proprietorship in Riyadh under its first commercial registration no. 565 dated 11/11/1376H (corresponding to 09/06/1957G). Following the demise of the founder, the Company's legal form was changed in 1982G into the Abdullah Ali Almunajem Sons Company, owned by Ali Abdullah Almunajem, Abdulaziz Abdullah Almunajem, Saleh Abdullah Almunajem, Abdulrahman Abdullah Almunajem, Ahmed Abdullah Almunajem, Ibrahim Abdullah Almunajem, Yousef Abdullah Almunajem, and Fahad Abdullah Almunajem. On 07/04/1428H (corresponding to 24 April 2007G), the shareholders in Abdullah Ali Almunajem Sons Company incorporated the Company as a Saudi limited liability company under commercial registration no. 1010231822, with the name of Almunajem Cold Stores Company. The then-current share capital of the Company was one hundred and fifty million Saudi Riyal (SAR 150,000,000) divided into one hundred and fifty thousand (150,000) cash shares with a value of SAR 1,000 per share; while Abdullah Ali Almunajem Sons Company continued to undertake its other commercial and investment activities.

On 04/04/1431H (corresponding to 20/03/2010G), Ali Abdullah Almunajem, Abdulaziz Abdullah Almunajem, Saleh Abdullah Almunajem, Abdulrahman Abdullah Almunajem, Ahmed Abdullah Almunajem, and Ibrahim Abdullah Almunajem sold all their shares in the Company to Abdullah Ali Almunajem Sons Company. Similarly, Yousef Abdullah Almunajem and Fahad Abdullah Almunajem sold all their shares to Al-Kafaa Real Estate Company. Thus, the sole shareholders in the Company were Abdullah Ali Almunajem Sons Company and Al-Kafaa Real Estate Company.

Pursuant to a Shareholders' resolution dated 25/06/1442H (corresponding to 07/02/2021G), the Company was converted into a (closed) joint stock company, and all procedures, including the amendment of the commercial registration, were completed on 16/06/1442H (corresponding to 28/02/2021G), whereby the Company's name was also changed from Almunajem Cold Stores Company to Almunajem Foods Company. The Company's capital was increased from one hundred and fifty million Saudi Riyals (SAR 150,000,000) to six hundred million Saudi Riyals (SAR 600,000,000) through the transfer of one hundred seven million five hundred and eighty-six thousand one hundred and one Saudi Riyals (SAR 107,586,101) from the shareholder's accounts, and capitalization of seventy five million Saudi Riyals (SAR 75,000,000) from the statutory reserve account and two hundred sixty-seven million four hundred thirteen thousand eight hundred and ninety-nine (Saudi Riyals 267,413,899) from the retained earnings account (for further details, please refer to Section 4.5 ("**Overview of the Company and Evolution of its Capital**").

The Company began distributing the Doux and Coopoliva brands in the seventies and has grown over the years to include more than 40 brands owned or distributed thereby under its umbrella; and, since its establishment, it has managed to attract and build a large portfolio of brands widely appreciated by end consumers, as the company provides more than 700 SKUs under 5 product categories, which are red and white meats, frozen vegetables and fruits, dairy products, olives and olive oil, and other products. During its growth period, Company was keen on diversifying its portfolio of brands to become a comprehensive center for household foods.

Since its inception, the Company endeavored to form a wide network of suppliers and build long-term relationships, through which it gained extensive experience in the field of supplying products worldwide. As at the date of this Prospectus, the Company has a supplier base made up of more than 60 active suppliers, 88% of whom are renowned international suppliers with an established global market presence, and 12% are local suppliers. Said relationships between many of the suppliers and the Company have been initiated more than four decades ago. Moreover, the Company has developed a well-diversified supplier base, allowing it to adapt its portfolio to the ever-changing consumer preferences, thus mitigating any anticipated supply disruption risks and ensuring rapid response thereto.

Over the course of more than 70 years of operations, the Company has built strong relationships with its customers through its main sales channels, which include more than 11,000 retail outlets, 800 wholesale outlets and 6,000 food service outlets in all regions of the Kingdom, with the Company proving its position among market key customers as a preferred supplier of frozen and chilled products. Today, the Company has become a reliable partner for a base of key market customers, including large supermarket chains that have multiple branches in all major regions of the Kingdom, such as AlOthaim, Panda, Carrefour, Danube, Lulu, Tamimi, Bindawood, etc. As at 31/03/2021G, the wholesale, retail, and food services sectors represented about 23.5%, 44.3%, and 23.2% of the Company's total revenues, respectively.

Throughout the years of its operations, the success of the Company has been largely due to its keenness to continuously invest in expanding and developing its logistical and distribution capabilities, leading to its current position as a reliable partner for customers and suppliers through its comprehensive coverage of the Kingdom's regions, whereby the Company has developed a wide distribution network that facilitates the effective delivery of more than 280,000 MT of products annually supplied to customers through approximately 18,000 outlets. The Company has 14 branches 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). Moreover, the Company has a Fleet of more than 1,000 vehicles to deliver products to customer locations all over the Kingdom, which enhances its geographical spread and effective customer reach.

The Company's branches include 12 Cold Store branches, a sales branch (office), and the Meat Factory branch in Jeddah. Each of the Company's 12 Cold Store branches is designed in a way that makes it safe to store frozen, chilled and dry food products in a temperature-controlled environment. The storage capacity of the Cold Store branches varies from 1,000 MT to 15,000 MT per branch, which gives the Company a total storage capacity of about 55,000 MT.

The Company has been keen to equip its branches and Fleet with the latest technologies, allowing it to efficiently operate its business, as most Cold Stores were equipped 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 reach the required product, supported by the Oracle real-time inventory management and tracking system, in addition to a temperature control system that 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, as GPS systems enable the fleet and quality teams to track the Fleet from a central location at the Company's headquarters (located in Riyadh), and enables Cold Store branches to track their trucks. The GPS system also allows the Company to monitor driver performance, including speeds, which can have an impact on the quality of the product that reaches the customer.

The Company's sales volume grew from 273,807 MT on 31/12/2018G to 281,462 MT on 31/12/2020G, and 73,701 MT for the period ended 31/03/2021G, representing a growth rate of 1.4% during said period. Likewise, the Company witnessed a similar growth in sales, which increased from SAR 2,493,467,767 on 31/12/2018G to SAR 2,531,351,310 on 31/12/2020G, which represents a growth rate of 0.8% during said period. The Company achieved total revenues of SAR 2,497,344,873, SAR 2,419,060,417, SAR 2,538,453,897 and SAR 628,055,404 for the financial years ended 31/12/2018G, 31/12/2019G, 31/12/2020G, and the period ended 31/03/2021G respectively. In 2020G, the Company achieved year-over-year growth in revenue and EBITDA equal to 4.9% and 79.2%, respectively, which growth was driven by a 20.8% increase in retail sales to reach SAR 1,048.1 million in FY 2020G.

4.2 Vision and Mission of the Company

4.2.1 Vision

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

4.2.2 Mission

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

4.3 Strengths and Competitive Advantages

The Company possesses numerous strengths and competitive advantages that significantly contribute to its success and distinguish it from its competitors, which enable it to strengthen its leading position in the Saudi market.

4.3.1 A leading market position in the F&B space with multiple household brands within the frozen and chilled product categories in the Kingdom

The Company has attracted a variety of brands that are widely recognized among end consumers, such as the Doux and Coopoliva brands, whose products the Company began distributing in the 1970s. Over the past decades, the Company's brands have grown to more than 40, whether owned thereby or by the manufacturers thereof; and the Company is constantly developing its product range to meet consumer needs.

The company commands a leading retail market share across its well-recognized owned and distributed brands, whether owned or distributed thereby, specifically across frozen whole chicken, frozen potatoes, olives, frozen fruits and vegetables, labneh, and frozen seafood. Across these sub-product categories, the Company consistently maintains one of the top 3 position by market share in retail channels.

4.3.2 A longstanding reliable partner with a variety of customers in the Kingdom

In the span of more than 70 years of operation, the Company has built a loyal customer base across key channels with over 11,000 retail, 800 wholesale, and 6,000 foodservice outlets Kingdom wide. The Company has proven to be the partner of choice to key customers having an unmatched diverse frozen and chilled product offering of over 700 SKUs, robust distribution capabilities covering all regions around the Kingdom through 12 strategically located cold stores, and seamless order placement and delivery within 24 hours.

The Company's Key Customers base includes large supermarket chains 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.

Our sales team consists of over 800 personnel handling Sales activities and covering relationships with customers across channels through periodic visits. The team is equipped with an integrated system to support sales, planning, tracking and monitoring daily activities. The sales system features include validation of customers visit using GPS, approval discount online cycle, access to multiple promotion systems and pricing control, access to credit limit controls, monitoring daily activities, and route planning and tracking.

4.3.3 Large supplier chain and logistical network in the frozen, chilled and dry foods sector

The Company has significant experience in sourcing products from local and international suppliers and fulfils annual orders of more than 250,000 MT of frozen, chilled and dry food products from more than 60 international and local suppliers, distributed through approximately 18,000 customer outlets around the Kingdom. The Company has an integrated supply chain and logistical network covering all regions of the Kingdom, which includes strategic locations.

- **Supply chain process:** the planning, transportation and operations teams work closely to manage logistics activities, as the planning team coordinates with the procurement team to finalize purchase orders with suppliers based on annual expectations, expected time of receipt of shipments, current stock levels, in addition to directing shipments to ports in route to their final destination at our branches spanning across the Kingdom; while the transportation team monitors the arrival of shipments and allocates containers to branches. In this regard, about 1,000 containers are cleared from the ports every month,. Finally, the operations team in each branch performs product quality checks and reconciliation through an inventory management system supported by Oracle. The Company's logistics network consists of 12 Cold Store branches, equipped with the latest technologies, in various major regions of the Kingdom with a total storage capacity of about 55,000 MT, a meat production plant (which is currently undergoing production capacity expansion) and a large Fleet for a variety of temperature-related needs.
- **Logistical technologies and networks:**
  - **Cold Store branches:** Frozen, chilled and dry food products are stored safely as the temperature of the warehouses can be adapted to meet the storage requirements of each group of products separately. The storage capacity of the Company's 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 55,000 MT, which is a feature of strategic importance. Most of the Cold Store branches are equipped with the latest technology including automatic mobile racking systems that maximize storage capacity in an economical and efficient manner, which reduces the time required to reach the desired product, and are supported by the Oracle real-time inventory management and tracking system; in addition to the temperature control system, which enables workers to control and monitor the different temperature levels in the Cold Store branches.
  - **The Fleet:** The Company operates a large Fleet of more than 1,000 vehicles that enable it to safely supply products to customers in all regions of the Kingdom. Some vehicles are equipped with a "multi-zone temperature" feature, which enables them to transport several different products at the same time. The movement of the Fleet is automatically tracked through the Global Positioning System (GPS), as it enables the control room to follow the Fleet's progress, driver behavior and storage temperature in vehicles.

For decades, the Company has been keen to invest in its logistical and distribution structure, which enabled it to keep pace with the steady growth of its products until it became today a key partner for its customers and suppliers.

4.3.4 Broad, defensive and complimentary product portfolio of household staples and leading brands that caters to our customers' needs

The company has become a "one-stop-shop" of household staples including poultry, meat, dairy, olive & olive oil, frozen fruit & vegetables, amongst others. Our diverse and unique portfolio of products allows a number of our suppliers to efficiently order majority of their product requirements from us. This has also driven strong customer loyalty and retention.

The table below shows the main product categories relevant to the Company's business and the numbers thereof:

Table (4-1): Main Groups and Number of Items in which the Company Operates

Category	Products	Items
Red & White Meats	62	350
Frozen Fruits and Vegetables	37	182
Dairy Products	25	108
Oils and Olives	10	49
Other (rice, dry herbs and spices)	10	31
Total	**144**	**720**

The Company's ability to select premium brands and build strong relationships with suppliers has enabled it to establish a large and loyal customer base for its products. The Company's key flagship brands include:

- **Dari:** One of the most successful brands owned by the Company, through which it sells poultry, chicken parts and processed products, dairy products, frozen meats, fruits and vegetables.
- **Montana:** A leading international brand owned by the Company in the Kingdom, through which the Company sells frozen fruits and vegetables.
- **Doux:** One of the most famous international brands in the poultry sector holding a leading market share in the retail sector in the Kingdom. It is a brand owned by France Poultry in France, a company wholly owned by Abdullah Ali Almunajem Sons Company (the Substantial Shareholder).
- **Coopoliva:** The famous olive products brand is owned by the Spanish company Agro Sevilla and has a strong market share in the retail sector in the Kingdom.
- **President:** A global brand owned by Lactalis, one of the largest dairy companies in the world, with a good labneh market share in the retail sector, in particular.
- **LambWeston:** One of the world's leading frozen potato brand and represents a strong share of the Company's frozen potato sales in the retail and food services sectors.

In addition, for the purpose of maintaining its market position, the Company is constantly working on reviewing, expanding and developing its product portfolio to match consumer needs through continuous follow-up of market trends and end-consumer preferences. The Company works closely alongside suppliers to develop new products leveraging on its experience in the market and its extensive knowledge of consumer preferences in the Kingdom, supported by periodic qualitative market studies identifying new opportunities.

4.3.5 Extensive network of suppliers with deep experience in sourcing products globally, underpinned by longstanding relationships

The Company has a supplier base of more than 60 active suppliers, of which 88% are international suppliers and 12% are local suppliers. The company's relationship with major suppliers has a long history spanning more than 5 decades.

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 quantities purchased through these contracts represent approximately 47% of the Company's total annual purchases. The duration of these contracts ranges from two to five years. The remaining supplier relationships are governed by purchase orders providing the company the flexibility to shift supply as needed for non-branded and privately labeled products.

Over the decades, the Company has cultivated a well-diversified supplier base, allowing it to adapt its portfolio to the fast changing consumer preferences and mitigate any anticipated risk of supply disruption such as crop shortage in a particular country. Also, this diversity enhances the Company's ability to adapt and obtain goods even during difficult economic conditions around the world, as happened in the case of the COVID-19 pandemic in 2020G, which also contributes to adhering to the requirements of the Food and Drug Authority in the Kingdom and maintaining the stability and continuity of supply chains during the Ramadan and Hajj seasons. The Company's ability to quickly adapt and keep up with market demands is demonstrated by the recent examples below:

- **Offering berry products:** Through its relationships with many suppliers, the Company was able to strengthen its presence in the berry market, which is not fully satisfied in the Kingdom, as the Company nearly tripled the size of the market from 111 MT per year in 2019G to 355 MT per year in 2020G.

- **Offering sugar-free mango and guava products:** With the introduction of the selective tax on sugar products in the Kingdom, the company was able to adapt the recipes of guava and manga production to be free from added sugar within only one month by working closely with suppliers, while maintaining the same level of quality.
- **Securing supplies during the Coronavirus (COVID-19) pandemic:** The Company secured 100% of its supplies during the pandemic thanks to its diverse supplier base spread across 33 countries. Moreover, the Company has contributed to covering the shortage in the supply of table eggs in the market, which is beyond the scope of the Company's usual business.

4.3.6 Strong financial performance with good profitability backed by the Company's leading market position and operational excellence, in addition to the importance of the sector in which it operates

The Company consistently achieved good profits, and maintained a solid financial performance between 2018G and 2020G, in which it was able to maintain sales growth of 0.8% while achieving operating cash flows that represent 90% of the EBITDA in both years.

In 2019G, the Company's sales and EBITDA decreased by 3.1% and 29.9% from the previous year, respectively, as the Company's performance at the time was affected by several factors such as the departure of many residents as a result of the structural changes that occurred in the labor market in the Kingdom, the impact of the application of value added tax, the increase in customs duties on selected products, and decrease in the production of French poultry products, following the establishment of France Poultry (which acquired a slaughterhouse, equipment, stock and trademarks from the French company Doux).

Despite recent conditions that have led to market turmoil due to the COVID-19 pandemic, the Company has remained resilient and able to adapt as it has maintained a generally healthy financial position.

In 2020G, the Company achieved growth in sales and EBITDA by 4.9% and 91.3% YoY, respectively, which growth was driven by a 20.8% increase in retail sales to reach SAR 1,048.1 million in 2020G.

Moreover, the strong financial position of the Company and its ability to generate cash flow provides enough space to finance the future growth of its activities.

4.3.7 A highly experienced management team with extensive knowledge in the food sector, backed by a strong Shareholder

The Company employs an expert and experienced management team familiar with the financial, commercial, operational and regulatory aspects related to the Company's business and the food sector in the Kingdom, which team includes only one member of the founding family. The tenure of any member of the current management team with the company is not less than 7 years.

The Company always seeks to attract qualified, competent and experienced employees to help them understand and adapt to market changes and contribute to the implementation of the Company's strategy and the achievement of its goals.

4.4 Company Strategies

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:

6. Strengthening and expanding its position in the existing product categories.
7. Expanding its product portfolio offering to effect step-change in revenues and profitability.
8. Forming strategic alliances to enhance product portfolio and customer coverage.
9. Streamlining and enhancing operational capabilities to increase customer-centricity, explore greater synergies, and a deep, industry-leading focus on product categories.
10. Adopting and developing newer methods of offering specific products to the end-customer that enhance the Company's profitability.

The Company has set comprehensive objectives for each level and has designed a clear plan of action to achieve its objectives. The following paragraphs detail the pillars of the Company's strategy (All market data provided in this section is based on market research prepared by Arthur D. Little Saudi Arabia, using published sources such as Nielsen, Euromonitor etc.).

4.4.1 Strengthening and expanding its position in the existing product categories

First and foremost, the Company intends to increase its market share in its core SKU groups (for further details, please see Section 4.8.2 ("**Product Categories**")) by leveraging its expertise, distribution capabilities and healthy relationships with key stakeholders including customers and suppliers. To this end, the Company has conducted an in-depth review of its existing product categories, and has been continuously developing respective category strategies, and implementing the same. Within its existing SKU categories, several growth opportunities have been identified, along with using a mix of channel penetration – within the existing and new ones as the opportunity arises, extending brands across categories, new product/brand introduction, pricing and promotion strategies etc.

Red & White Meats is the largest product segment in the Company's portfolio (for further details, please see Section 4.9 ("**The Company's Revenues and Volume of Products Sold**")) contributing ~60% of total revenues. The Company is looking to enhance its sourcing strategy to focus on efficiencies and ensure supply continuity. In addition, the Company is also evaluating its SKUs and brand strategy to increase its revenues and its market share. The Company plans to expand its presence in this category by focusing more on the Food Services channel. In addition, the Company is actively looking to further increase its market share in Red & White Meat category by expanding its presence in value added / processed segments such as frozen chicken parts (retail market size ~SAR 350 million), chicken burgers & nuggets (retail market size ~SAR 244 million) etc. This plan is also in line with the shifting customer preference for convenience foods that the Company is aiming to capture. In addition, the Company is actively looking at expanding its presence in high value and high margin segments such as processed meat on the back of its strong delivery infrastructure and distribution channel network. In addition, the Company is also looking to enter the chilled meat segment as it is growing rapidly due to government focus on increased local sourcing. Chilled meat category is also lucrative due to high inventory turnover and margins.

Dairy, with a market size of SAR 14.6 billion in Saudi, is the third largest segment by revenue (~13%) for the Company. It has a long history of successful partnerships with key global dairy players such as Arla and Lactalis (which are both its main suppliers). Recent launch of a full range of globally renowned 'President' is a testament to the Company's strong partnerships. The Company is also exploring business opportunities with another local/international player to further strengthen its product and brand portfolio. The Company is strongly positioned to grab market share in both retail and food service channels. The Company's strategy is already bearing fruits with a rebound in the performance of the Dairy segment (in YTD2020).

Further, the Company has strong presence in the olives category, especially in the retail channel where its partner brand, Coopoliva is the market leader. The Company plans to expand its presence in the markets of this category of products by focusing more on the Food Services channel through a mix of brand and pricing strategy, leveraging its existing infrastructure, customers, distribution network and supply chain to make deeper inroads into this category. To expand its presence in Food Services channel, the Company is also evaluating sourcing olives from other countries.

In addition, the Company has contracts with leading supermarket and hypermarket chains in the retail channel and key accounts in food service channel. This help ensure higher customer satisfaction through improved supply security and smoothens the volatility in the Company's sales. Currently, there are changes happening to the sourcing strategy and expansion in the value-added processed white & red meat product categories that are expected to further improve the Company's performance. The Company is planning to manufacture value-added meat products in its Jeddah manufacturing facility.

4.4.2 Expanding its product portfolio offering to effect step-change in revenues and profitability

With a view to deliver incremental growth, the Company intends to enrich its product portfolio and is actively assessing new frozen, chilled and non-frozen product segments to enter. The Company will leverage its extensive distribution infrastructure, channel partnerships (retail & food services) and key account relationships to quickly ramp up the rollout of additional product categories and gain market share. 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 blue ocean strategy relevant to both retail and food service channel.

Accordingly, the Company is considering entering new sub-segments in existing categories such as Chicken strips (retail market size ~SAR 54 million) and new categories such as ice cream (retail market size ~SAR 688 million) and frozen dough and pastry (retail market size ~SAR 221 million). Additionally, and as discussed above, the Company is targeting the Food Service channel which is estimated to be many times the size of retail channel (the size of this channel varies by segments, but generally is far larger than retail).

In addition, the Company is also evaluating several high growth non-frozen categories such as pasta & noodles (retail market size ~SAR 1.3 billion), sauces & condiments (retail market size ~SAR 2 billion) and hot breakfast cereals (retail market size ~SAR 336 million). This choice is driven by three factors – existing customer relationships, the high quality procurement function that the Company has and finally, the extensive reach of the Company's distribution network that will allow it to seamlessly offer such products with minimal or no change to its existing set-up. The Company has an extensive supply chain infrastructure that can readily be used for distribution of frozen and chilled products, as well as distributing non-frozen products. Where required, the Company is ready to make prudent investments with the objective to deliver good margin and high value growth products that support its objective to achieve a leadership position in all the segments and channels it operates in, during the next 3-5 years. As a next step, the Company plans to evaluate the sub-segments across various product categories and identify the right sub-segments for it to target.

4.4.3 Exploring strategic alliances to enhance product portfolio and customer coverage

Establishing strategic alliances is a key component of the Company's strategy. The Company considers two options under this pillar:

- Source new products / brands from global as well as local players both within the existing as well as new food categories.
- Establishing alliances with companies that are a good fit with the Company's strategic objectives.
- Partner with global brands currently present in the market that are looking for new distributors.

As the Company is looking to expand its presence in existing and new categories, it is evaluating the prospect of establishing new alliances / partnerships. As it has always done, the Company is on a continuous look-out for strong global and local brands that can meet the strict quality criteria it has and provide complimentary set of products to enhance and strengthen its existing portfolio of products. One such recent example is the partnership with Lactalis to distribute dairy products under the 'President' brand in KSA. Lactalis was present in the market and was looking for another distributor. Eventually, Lactalis decided to partner with the Company due to its strong distribution capabilities. Another example is the signing of a contract with Seara to distribute whole chicken products and chicken parts through food service and wholesale channels. The Company will also opportunistically evaluate potential acquisition opportunities to complement its existing platform and effect a step-up change growth in revenue and profitability. Such forays will be driven by strategic as well as commercial considerations that not only secure and consolidate the Company's existing portfolio, but also allow it to move into synergistic areas that secure its future growth. Hence, the Company is open to growing through evaluating acquisition opportunities, if it were to help the Company meet one or more of the following objectives:

- **Expansion to new product groups:** if a Target has a product portfolio that complements Company's current product portfolio and can grow rapidly,
- **Increasing channel coverage or target customer segment:** if a Target has strong channel coverage that has synergies with the Company's network and can help take the Company into new key accounts / customer segments / geographies
- **Backward and forward integration:** if a Target provides strong and profitable opportunity for the Company to either provide / develop its products, and / or expand into manufacturing / processing, or deliver and effect deep value addition to its products.

4.4.4 Increased focus on operational capabilities to explore greater synergies and to streamline its functions with the objective of increasing profitability, customer-centricity and strengthening its position as the industry-leading expert in F&B in the KSA

The Company is looking to streamline its operations to improve customer centricity and achieve further synergies. By continuously reviewing its sourcing strategy and by re-evaluating its distribution services and processes, the Company intends to ensure a highly efficient and robust supply chain that can continue to deliver a good quality customer experience, even under unforeseen events / situations and supply shocks. In its quest to strengthen its position as the pre-eminent distributor of good quality products that is also a responsible corporate citizen, the Company is actively considering local sourcing opportunities in line with the Kingdom's 2030 Vision. The Company seeks on improving self-sufficiency and de-risking itself from any unforeseen supply issues. The Company is considering such an initiative also with a view to increase its product categories / segments and its profitability.

Further, the Company is looking at backward integration and is expanding its processing facilities to meet market demand and improve its value share. This is in line with this strategy to expand its current manufacturing and processing facility in Jeddah to meet the rising demand of various Red & White Meat products. The planned factory expansion in Jeddah is expected to commence production by October 2021G.

The focus on growth is not only exclusive to searching for new opportunities - the Company's management is focused on delivering profitable growth, and in doing so, it periodically conducts a portfolio optimization exercise in which any non-performing products iseither dropped or new plans are developed to improve its performance. This further supports operational streamlining and a sustainable and profitable growth trajectory.

4.4.5 Exploring and developing best-in-class, newer methods of offering specific products to the end-customer that enhance the Company's profitability and customer experience

One of the latest trends in grocery shopping is the shift of customer demand to online channels, which has been further accelerated by the COVID-19 pandemic. The Company believes that a large majority of the demand shift to online channels due to COVID-19 pandemic is here to stay and may sustain even after the pandemic is overcome. Being a significant aggregator itself, and a procurer of high quality brands, the Company is evaluating various options to tap into this opportunity by itself and/or with its partners, to include foray into online direct distribution channel for specific customers and/or for specific/ niche products. The Company is also studying which products/brands to be offered using this channel. In addition, the Company is also actively considering options and looking at leveraging various digital technologies throughout its supply chain to further improve the efficiency e.g. the Company has invested in rolling out digital ordering system, which enables the sales team to take orders and track inventory real-time and it will enable customers to place the orders online in the future. In combination, the above could help the Company establish an 'end-to-end' medium with which to serve a specific class of customers, allowing it to also deliver high value and high profit growth that is sustainable over the longer term. Further, the Company considers it a key imperative for it to evaluate the online / e-commerce with a view to adapt itself to any changes that might occur in the near term.

Additionally, a key area of focus is the food service sector, which can be several times the size of retail sector for numerous of the Company's main product categories. One of the key action points for the Company will be to expand its presence in food service channel in categories such as frozen red & white meat, fruits & vegetables and olives. In addition to product portfolio tweaks, the Company will focus on category management and key account management approach to expand its presence in the food service channel. The above pillars will contribute significantly to achieve this strategic objective.

4.5 Overview of the Company and Evolution of its Capital

The Company was established on 07/04/1428H (corresponding to 24/04/2007G) by Abdullah Ali Almunajem Sons Company, Ali Abdullah Almunajem, Abdulaziz Abdullah Almunajem, Saleh Abdullah Almunajem, Abdulrahman Abdullah Almunajem, Ahmed Abdullah Almunajem, Ibrahim Abdullah Almunajem, Yousef Abdullah Almunajem and Fahad Abdullah Almunajem, as a Saudi limited liability company in the city of Riyadh under Commercial Registration No. 1010231822, under the name of Almunajem Cold Stores Company, with a capital of one hundred and fifty million (150,000,000) Saudi Riyals, divided into one hundred fifty thousand (150,000) fully paid cash shares of a value of one thousand (1,000) Saudi Riyals for each share, which specialized in all businesses related to the import, sale and distribution of foodstuffs.

At establishment, the Company's ownership structure was as follows:

Name	Number of Shares	Share Value	Total Share Value (SAR)	Ownership Percentage
Abdullah Ali Almunajem Sons Company	142,500	1,000	142,500,000	95%
Ali Abdullah Almunajem	1,350	1,000	1,350,000	0.9%
Abdulaziz Abdullah Almunajem	1,350	1,000	1,350,000	0.9%
Saleh Abdullah Almunajem	1,050	1,000	1,050,000	0.7%
Abdulrahman Abdullah Almunajem	750	1,000	750,000	0.5%
Ahmed Abdullah Almunajem	750	1,000	750,000	0.5%
Ibrahim Abdullah Almunajem	750	1,000	750,000	0.5%
Yousef Abdullah Almunajem	750	1,000	750,000	0.5%
Fahad Abdullah Almunajem	750	1,000	750,000	0.5%
Total	**150,000**	**1,000**	**150,000,000**	**100%**

Source: The Company

On 04/04/1431H (corresponding to 20/03/2010G), Ali Abdullah Almunajem, Abdulaziz Abdullah Almunajem, Saleh Abdullah Almunajem, Abdulrahman Abdullah Almunajem, Ahmed Abdullah Almunajem, Ibrahim Abdullah Almunajem sold all their shares to Abdullah Ali Almunajem Sons Company. Similarly, Yousef Abdullah Almunajem and Fahad Abdullah Almunajem sold all their shares to Al-Kafaa Real Estate Company. Thus, the sole shareholders in the Company were Abdullah Almunajem Sons Company and Al-Kafaa Real Estate Company.

The Company's ownership structure as on 04/04/1431H (corresponding to 20/03/2010G) was thus as follows:

Table (4-2): Company's ownership structure as on 04/04/1431H (corresponding to 20/03/2010G):

Name	Number of Shares	Share Value	Total Share Value (SAR)	Ownership Percentage
Abdullah Ali Almunajem Sons Company	148,500	1,000	148,500,000	99%
Al-Kafaa Real Estate Company	1,500	1,000	1,500,000	1%
Total	**150,000**	**1,000**	**150,000,000**	**100%**

Source: The Company

Pursuant to a resolution of the shareholders dated 25/06/1442H (corresponding to 07/02/2021G), the Company was converted into a (closed) joint stock company, and all procedures, including the amendment of the commercial registration, were completed on 16/06/1442H (corresponding to 28/02/2021G). The Company's name was also changed from Almunajem Cold Stores Company to Almunajem Foods Company. The Company's capital was increased from one hundred and fifty million Saudi Riyals (SAR 150,000,000) to six hundred million Saudi Riyals (SAR 600,000,000) through the transfer of one hundred seven million five hundred and eighty-six thousand one hundred and one Saudi Riyals (SAR 107,586,101) from the shareholder's accounts, and capitalization of seventy five million Saudi Riyals (SAR 75,000,000) from the statutory reserve account and two hundred sixty-seven million four hundred thirteen thousand eight hundred and ninety-nine (267,413,899) Saudi Riyals from the retained earnings account.

The Company's activities comprise the wholesale of food and beverages, retail sale of food in specialized stores, retail sale in non-specialized stores that mainly sell food and beverages, retail sale through mail or via Internet third party fulfillment companies, and wholesale for a fee or on contract, retail sale of other new goods in specialized stores, wholesale trade of agricultural raw materials and live animals, meat processing and preservation, preparing and preserving fish, crustaceans and mollusks, processing and preservation of fruits and vegetables, other food service activities, storage, road transport of goods, and general cleaning of buildings.

As at the date of this Prospectus, the Company's ownership structure was as follows:

Table (4-3): Company's ownership structure as at the date of this Prospectus:

Name	Number of Shares	Share Value	Total Share Value (SAR)	Ownership Percentage
Abdullah Ali Almunajem Sons Company	59,400,000	10	594,000,000	99%
Al-Kafaa Real Estate Company	600,000	10	6,000,000	1%
Total	**60,000,000**	**10**	**600,000,000**	**100%**

Source: The Company

4.6 Key Developments of the Company since Establishment

The Company's journey started in 1950G, when Abdullah Ali Almunajem established a foodstuff sole proprietorship in Riyadh under its first commercial registration no. 565 dated 11/11/1376H (corresponding to 09/06/1957G). Since establishment, the Company underwent a number of key developments, among which:

In 1962G, the first Cold Store was established in the Deira district of Riyadh with a storage capacity of 200 MT, which was later expanded to 400 MT in order to meet the increasing demand.

In 1973G, another branch was established in the Al-Malaz district of Riyadh to be the largest Cold Store in the Kingdom at that time with a storage capacity of 2,500 MT, as it was established according to the latest recognized refrigeration industry standards of the time and was provided with modern storage means, handling equipment and automatic forklifts. After only three years, its storage capacity was increased to 4,000 MT.

During the economic boom of the mid-seventies, and due to the lack of food supplies, the Company imported meat, vegetables and eggs by plane to supply local markets at reasonable prices. The government appreciated said effort by awarding the Company the Medal of Merit, First Class, by His Majesty King Khalid, may God have mercy on his soul.

Later, in 1976G, a third branch was established in the Atiqa district of south Riyadh, with an 800 ton Cold Store capacity. A year later, the first step of expanding outside Riyadh began when the Company established its first branch outside Riyadh in the city of Burieda Cold Store in 1977G, with a 2500 ton storage capacity to meet the demands of customers in Qassim region and the north of the Kingdom.

Expansion continued in 1980G when a second branch was established outside Riyadh in the Makkah region along with a 2,500 ton Cold Store to serve the city of Makkah, Jeddah and the south of the Kingdom.

After the demise of the founder Abdullah Ali Almunajem, may God have mercy on his soul, the legal form of the Company changed to become Abdullah Ali Almunajem Sons Company in 1982G; subsequent to which, specifically in 1983G, another branch was opened in Al-Rabwah district of Riyadh with a storage capacity of 1,000 MT.

Since then, the Company continued its growth and, in 1992G, established a branch in Jeddah with a storage capacity of 2000 MT, which was doubled to 4,000 MT in 1992G, in order to keep pace with the increasing demand for items offered by the Company, with the establishment of its first factory specialized in the production of processed meat.

In 1989G, the Company opened its first Dammam branch in the Eastern Province, with a storage capacity of 2,500 MT. Later in the year 1996G, the Company established a branch in the city of Khamis Mushait with a storage capacity of more than 2,000 MT.

Based on the desire of Substantial Shareholder Abdullah Ali Almunajem Sons Company to devote itself to other commercial and investment activities, a new legal entity was established in 2007G named Almunajem Cold Stores Company (now the Company), specialized in the import, sale and distribution of foodstuffs. During the same year, due to changes in sales and distribution data and status, the Company decided to unify all its branches in Riyadh and establish a model main facility/branch within a complex of about 100,000 square meters in Al-Sulay in Riyadh, which includes a Cold Store with capacity of 15,000 MT, mostly for storing frozen, chilled and dry foodstuffs with huge logistical capabilities. With the intention of further reinforcing the facility with advanced and environmentally friendly refrigeration equipment, automatic mobile racking system, with a height of up to 12 meters, with maintenance workshops, administrative offices and truck parking, whereby the said facilities occupied 50,000 square meters of the complex.

Between 2011G and 2015G, the Company continued its geographical expansion with the aim of achieving its initial strategy since its establishment, which is to be closer to its customers and serve them in a better and more efficient manner, as well as enhance its logistical and warehousing capabilities in response to the growing demand for its products, in line with its strategic plans by opening model branches in Madinah, Hail, Tabuk, Al-Ahsa and Jizan, successively. The Company also opened affiliated offices in Sakaka and Taif in 2005G and 2012G, respectively. In 2013G, the Company established a model large capacity storage branch in Makkah, as a result of which the old branch established in 1980G, was closed.

In 2014G, the Company launched its Dari brand in the retail market by listing a variety of distinguished quality products, including chicken varieties, dairy products, fruits, vegetables, frozen potatoes and others, thus enhancing its leadership position in the sector and contributing to the sustainability of its business. Similar to the new Makkah branch, in 2018G, the Company opened a new model branch in Dammam with advanced logistical capabilities, and closed the old branch that was established in 1989G.

The Company now has 13 branches around the Kingdom, with a storage capacity of 55 thousand MT approximately, and a meat factory with a licensed production capacity of 15 thousand MT per year of various types.

The conversion of the Company from a limited liability company to a closed joint stock company was approved by virtue of a shareholder resolution dated 25/06/1442H (corresponding to 07/02/2021G), and all procedures were completed, including the amendment of the commercial registration on 16/06/1442H (corresponding to 28/02/2021G), when the name of the Company was also changed from "Almunajem Cold Stores" to "Almunajem Foods", and its capital was increased from 150 million Saudi Riyals to 600 million Saudi Riyals.

Throughout its long history extending from the middle of the twentieth century to the present day, and in recognition and appreciation of its efforts to consolidate trade relations between the Kingdom and a number of food-producing countries, and its vital role in serving the food sector in the Kingdom, the company was awarded a number of medals of appreciation from kings and heads of state, as follows:

- The Medal of Merit, First Class, by his majesty King Khalid bin Abdulaziz, may God rest his soul (1978G).
- The Queen Elizabeth II Honorary Companion medal – New Zealand (1990G).
- The National Order of Merit, with the rank of knight, from the former President of France , Jacques Chirac (1996G).
- The Medal of Honor from Prince Henrik of the Kingdom of Denmark (1999G).
- The Medal of Honor with the rank of Commander from the former President of Brazil , Lula da Silva (2004).
- The National Order of Merit, with the rank of knight from the former President France, Francois Hollande (2014G).

Table (4-4): Key Developments of the Company since Establishment:

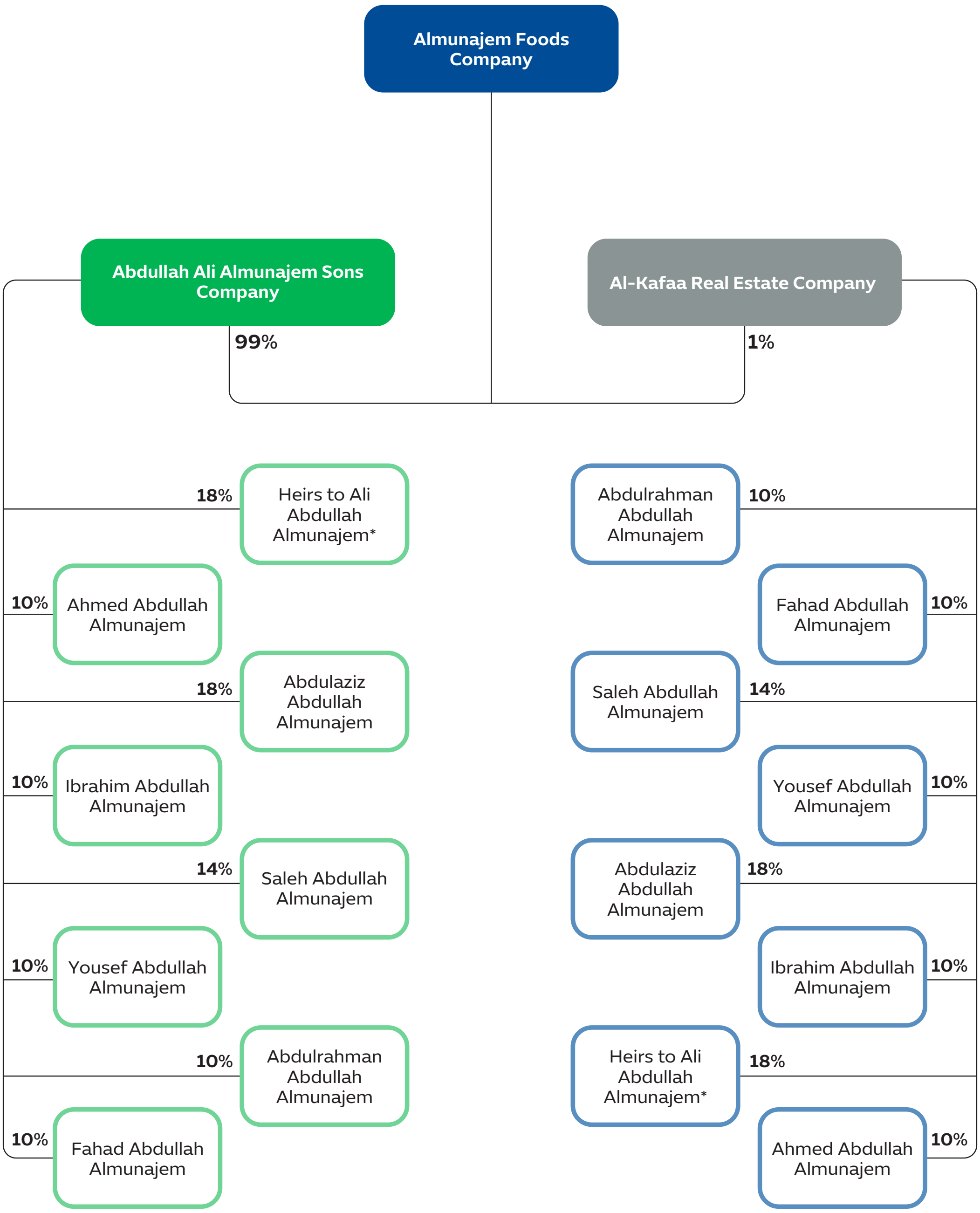
Year	Event/Development
1950G	Abdullah Ali Almunajem, God rest his soul, founded a foodstuff sole proprietorship.
1962G	The first Cold Store branch was established in the Deira district of Riyadh with a storage capacity of 200 MT.
1973G	A Cold Store branch was established in Al-Malaz district in Riyadh to be the largest cold store in the Kingdom at that time, with a storage capacity of 2,500 MT.
1977G	A Cold Store branch was established in Burieda, to begin the first steps of expansion outside Riyadh.
1978G	The Company was awarded the Medal of Merit, First Class, by his majesty King Khalid bin Abdulaziz, may God rest his soul.
1980G	A branch was established in Makkah and a Cold Store branch with a storage capacity of 2,500 MT to serve Makkah, Jeddah and the south of the Kingdom.
1982G	The legal form of the foodstuff sole proprietorship was changed to become Abdullah Ali Almunajem Sons Company.
1990G	The Company was awarded the Queen Elizabeth II Honorary Companion medal in New Zealand.
1992G	The Company established its meat processing in Jeddah.
1996G	The Company was awarded the National Order of Merit, with the rank of knight, from the former President of France, Jacques Chirac.
1999G	The Company was awarded the Medal of Honor from Prince Henrik of the Kingdom of Denmark.
2004G	The Company was awarded the Medal of Merit with the rank of Commander from the former President of Brazil, Lula da Silva.
2007G	A legal entity was established under the name of Almunajem Cold Stores Company, engaged in all business related to the import, sale and distribution of foodstuffs.
2007G	The Company decided to merge all its branches in the city of Riyadh and established a model main branch within a complex of an area estimated at 100,000 square meters in the AlSulay district of Riyadh. Subsequent thereto, the Company closed all of its branches in the city of Riyadh.
2013G	The Company established a model branch in Makkah with large storage capacities, as a result of which the previous branch that was established in 1980G was closed.
2014G	The Company launched its Dari brand in the retail market by listing a variety of distinguished quality products, including chicken varieties, dairy products, frozen fruits and vegetables, frozen potatoes and others.
2014G	The Company was awarded the National Order of Merit, with the rank of knight from the former President of France, Francois Hollande.
2018G	The Company established a new model branch in Dammam with advanced logistical capabilities and closed the old branch that was established in 1989G.
2021G	Almunajem Cold Stores Company was converted from a limited liability company to a closed joint stock company, and the name of the company was changed from “Almunajem Cold Stores” to “Almunajem Foods”.

Source: The Company

4.7 Overview of Shareholders

The following chart illustrates the Company's ownership structure:

Figure (4-1): Company's ownership structure as at the date of this Prospectus



* On 23/03/1443H (corresponding to 29/10/2021G), Ali Abdullah Almunajem moved to the mercy of God Almighty, and the inheritance documentation has been notarized by the notary public on 28/03/1443H (corresponding to 11/03/2021G). Furthermore, all the heirs delegated one of them to complete the procedures for distributing the inheritance in accordance with Sharia.

4.7.1 Abdullah Ali Almunajem Sons Company

Abdullah Ali Almunajem Sons Company is a closed joint stock company, with a capital of 600,000,000 Saudi Riyals, divided into 60,000,000 shares, with a nominal value of 10 Saudi Riyals per share. It was registered in the Commercial Registry of the city of Riyadh under No. 1010000565 dated 11/11/1376H (corresponding to 10/06/1957G). The head office of Abdullah Ali Almunajem Sons Company is located in Riyadh, Kingdom of Saudi Arabia.

The main activities of Abdullah Ali Almunajem Sons Company include the wholesale sale of food and beverages, retail sale of food in non-specialized stores, retail sale in non-specialized stores that primarily sell food and beverages, retail through mail or online order fulfillment houses, Wholesale for a fee or on contract, other retail sale of new merchandise in specialized stores, ground transportation of goods, warehousing, restaurant and mobile food service activities, other food service activities, other not elsewhere classified leisure and entertainment activities, general cleaning of buildings, integrated facility support activities, holding company activities (i.e. units that acquire a dominant capital share of a group of subsidiaries, the principal activity of which is the ownership of that group), brokerage activities related to securities and commodities, other financial service activities except insurance and pension financing not elsewhere classified, manufacture of other food products not elsewhere classified, manufacture of bakery products, manufacture of other multi-purpose equipment.

The following table illustrates the ownership structure of Abdullah Ali Almunajem Sons Company, as at the date of this Prospectus:

Table (4-5): Ownership structure of Abdullah Ali Almunajem Sons Company, as at the date of this Prospectus

Shareholder Name	Shareholding	No. of Shares
Heirs to Ali Abdullah Almunajem*	18%	10,800,000
Abdulaziz Abdullah Almunajem	18%	10,800,000
Saleh Abdullah Almunajem	14%	8,400,000
Abdulrahman Abdullah Almunajem	10%	6,000,000
Ahmed Abdullah Almunajem	10%	6,000,000
Ibrahim Abdullah Almunajem	10%	6,000,000
Yousef Abdullah Almunajem	10%	6,000,000
Fahad Abdullah Almunajem	10%	6,000,000
Total	**100%**	**60,000,000**

Source: The Company

* On 23/03/1443H (corresponding to 29/10/2021G), Ali Abdullah Almunajem moved to the mercy of God Almighty, and the inheritance documentation has been notarized by the notary public on 28/03/1443H (corresponding to 11/03/2021G). Furthermore, all the heirs delegated one of them to complete the procedures for distributing the inheritance in accordance with Sharia.

4.7.2 Al-Kafaa Real Estate Company

Al-Kafaa Real Estate Company is a closed joint stock company with a capital of 600,000,000 Saudi Riyals, divided into 60,000,000 shares, with a nominal value of 10 Saudi Riyals per share. It is registered in the Commercial Registry of the city of Riyadh under No. 1010240490 dated 11/11/1428H (corresponding to 10/06/1957G). The head office of Al-Kafaa Real Estate Company is located in Riyadh, Kingdom of Saudi Arabia.

The main activities of Al-Kafaa Real Estate Company include establishing and developing residential, commercial and industrial projects, selling or renting the same for the benefit of the Company, purchasing land, constructing buildings and exploiting the same through sale or lease for the benefit of the Company, managing and maintaining real estate, residential complexes, commercial centers, hotels, tourist complexes and restaurants for the benefit of the Company, import and export services and marketing services for third parties.

The following table illustrates the ownership structure of Al-Kafaa Real Estate Company, as at the date of this Prospectus:

Table (4-6): Ownership structure of Al-Kafaa Real Estate Company, as at the date of this Prospectus

Shareholder Name	Shareholding	No. of Shares
Heirs to Ali Abdullah Almunajem*	18%	10,800,000
Abdulaziz Abdullah Almunajem	18%	10,800,000
Saleh Abdullah Almunajem	14%	8,400,000
Abdulrahman Abdullah Almunajem	10%	6,000,000
Ahmed Abdullah Almunajem	10%	6,000,000
Ibrahim Abdullah Almunajem	10%	6,000,000
Yousef Abdullah Almunajem	10%	6,000,000
Fahad Abdullah Almunajem	10%	6,000,000
Total	**100%**	**60,000,000**

Source: The Company

* On 23/03/1443H (corresponding to 29/10/2021G), Ali Abdullah Almunajem moved to the mercy of God Almighty, and the inheritance documentation has been notarized by the notary public on 28/03/1443H (corresponding to 11/03/2021G). Furthermore, all the heirs delegated one of them to complete the procedures for distributing the inheritance in accordance with Sharia.

4.8 Overview of the Company's Principal Activities

The Company is engaged in the import, marketing and distribution of a range of frozen, chilled and dry food products in the food sector in Saudi Arabia. The range of food products includes frozen poultry, red meat, frozen vegetables and fruit, dairy, olive products, rice and condiments. In addition, the Company produces various meat products, which are also sold to the food sector in Saudi Arabia.

The Company generates its revenue from selling imported or self-produced food products to customers across three main distribution channels: wholesale, retail and food services.

The Company operates a total of 14 branches, which consist of 12 Cold Store branches with , 1 sales branch in Taif and 1 Meat Factory Branch in Jeddah. The Company's products are stored in and distributed from 13 of these Branches, which are strategically located in ten provinces across Saudi Arabia. The Cold Store branches feature advanced multi-temperature cooling and automated racking technologies, which optimize inventory management.

As of 31 March 2021G, the Company operates a fleet of 1080 vehicles, including 648 trucks, which transport food products from its Branches to customer outlets across Saudi Arabia.

The Company generated a total revenue of SAR 2.494 billion for the financial year ended 31 December 2018G, and SAR 2.411 billion for the financial year ended 31 December 2019, SAR 2.531 billion for the financial year ended 31 December 2020, and SAR 626 for the period ended 31 March 2021G. The Company sells over 700 SKUs across 5 product categories, including food products sourced from major international suppliers, such as France Poultry, Lamb Weston, Lactalis, Arla Foods, JBS and BRF Foods; food products produced by the Company, such as Habra; and other privately-labeled products sold under the Company's own brands, such as Dari. Additionally, the Company imports approximately 250,000 MT worth of products every year.

4.8.1 Key Performance Indicators

The following table sets forth the Company's operating metrics, which the Directors consider to be its key performance indicators for FY2018G, FY2019G, FY2020G and the period ended 31 March 2021G:

Table (4-7): The Company's Key Performance Indicators:

Key Performance Indicator	FY18G	FY19G	FY20G	Period ended 31 March 2021G
Sales Volume (in MT)	273,807	282,118	281,462	73,701
Growth Ratio	-9%	3%	0%	
Sales (in SAR'000)				
Sales	2,493,477	2,411,253	2,531,351	626,421
Growth Ratio	1%	-3%	5%	
Sales by Key Categories (in SAR'000)				
Red & White Meats	1,630,755	1,437,960	1,456,835	345,213
Frozen Fruits & Vegetables	317,707	395,208	433,333	119,545
Dairy	300,207	318,545	349,356	78,203
Olives & Oil	225,335	235,596	262,330	76,749
Others	19,473	23,944	29,498	6,711
Total	**2,493,477**	**2,411,253**	**2,531,351**	**626,421**
Sales by Brand (in SAR '000)				
Distributed Brands	2,179,711	2,045,410	2,081,425	497,078
Owned Brands	313,765	365,843	449,927	129,343
Total	**2,493,477**	**2,411,253**	**2,531,351**	**626,421**
Fleet				
Trucks - Owned	740	738	649	648
Sedan - Owned	79	41	14	14
Sedan - Leased	374	397	404	412
Buses – Owned	4	4	6	6
Total Sedan	**453**	**438**	**418**	**426**
Total No. of Vehicles	**1,193**	**1,176**	**1,073**	**1,080**

Source: Company information

4.8.2 Product Categories

4.8.2.1 Overview

The Company sells a broad range of quality branded and own-brand food SKUs through its distribution channels to customers. The Company sells multiple brands within each product category, many of which have been offered since commencement of the Business in 1950G. For further information on the history of the Business please refer to Section 4.6 ("**Key Developments of the Company since Establishment**").

Table 4-8 below shows the key categories of food products that the Company sells, including the brands, types of products, number of suppliers and number of SKUs within each product category and the period during which the product category has been offered:

Table (4-8): The Company's Product Categories as at 31 March 2021G:

Product Category	Brands	Products Offered	Number of Suppliers	Number of SKUs
Red & White Meats	Doux, Supreme, Dari, Fitlife, Unef, Le Bon, Nat, Noor, Intaj, Villa Germania, Silver Fern Farms, Affco, Friboi, Gejota, Minerva, Swift, Classic, Moralejo, Fletcher, Ararat, Habra, St. Helen, Anaam Saudia and Asmak	62	27	350
Frozen Fruits & Vegetables	Dari, Montana, Marietta, Life, and Lamb Weston	37	11	182
Dairy	President, The Three Cows, Dari, Valbresso, Christis, Marietta	25	9	108
Olives & Oil	Coopoliva, Olicoop, Dari, Hayat, Marietta	10	3	49
Others	Dari, Marietta, Hayat, Master Martini, ZN, United Food Company, Martins	10	11	31
Total		**144**	**61**	**720**

Source: Company information

The breakdown of the Company's revenues by product categories and the volume of each product category sold is as set out in Table 4-9 below for the relevant financial periods:

Table (4-9): The Company's Revenues and Volume of Products Sold:

Product Category	FY18G		FY19G		FY20G		Period ended 31/03/21G	
	MT	SAR'000	MT	SAR'000	MT	SAR'000	MT	SAR'000
Red & White Meats	160,122	1,630,755	147,658	1,437,960	140,075	1,456,835	36,939	345,213
Frozen Fruits & Vegetables	59,784	317,707	72,880	395,208	77,100	433,333	21,965	119,545
Dairy	20,997	300,207	22,990	318,545	23,321	349,356	5,729	78,203
Olives & Oil	29,094	225,335	33,810	235,596	35,718	262,330	7,664	76,749
Others	3,810	19,473	4,780	23,944	5,248	29,498	1,404	6,711
Total	**273,807**	**2,493,477**	**282,118**	**2,411,253**	**281,462**	**2,531,351**	**73,701**	**626,421**

Source: Company information

4.8.2.2 Red and White Meats

Red and White Meats is the Company's most significant product category, accounting for revenue of SAR 1.438 billion for the financial year ended 31 December 2019G, SAR 1.457 billion for the financial year ended 31 December 2020G, and SAR 345 million for the period ended 31 March 2021G.

The Company's poultry product sub-category is comprised of whole chicken and chicken parts (either in bulk, tray or individual quick frozen product forms) and further processed products (such as chicken franks, minced chicken, chicken burgers and nuggets). Additional poultry sub-categories include whole duck, whole turkey and whole quail products.

The Company's meat product sub-category is comprised of frozen products (consisting of beef, lamb, mutton and veal), chilled products (consisting of beef and lamb), and minced products (consisting of mutton and beef).

The Company's seafood sub-category consists of dry tuna products and frozen individual quick frozen products (such as shrimps, white fish fillets, salmon fillets and calamari), and further processed sea food (such as minced fish fingers and breaded fillets).

Sale of white and red meat products began in the 1960s with the distribution of a couple of hundred MT per month and has evolved to reach approximately 11,000 MT per month for the period ended 31 March 2021G. Today, the Company sells 24 poultry and meat product brands, including Dari, Al Anaam Al Saudia, and Habra, which are its own brands. Products are sourced from 27 suppliers, both local and international, including France Poultry, a Related Party.

4.8.2.3 Frozen Fruits and Vegetables

Frozen Fruits and Vegetables is the Company's second most significant product category, accounting for revenue of SAR 395 million for the financial year ended 31 December 2019G, SAR 433 million for year ended 31 December 2020G, and SAR 120 million for the period ended 31 March 2021G.

The Company's fruits product sub-category comprises of fruit pulp products (such as mango, guava and avocado and other fruit mixes) and individual quick frozen products (such as frozen strawberries, wild berries, and pomegranate).

The Company's frozen vegetables product sub-category comprises leafy products (such as moloukhia and spinach), individual quick frozen products (such as mixed vegetables, peas, green beans, and corn), dry can products (such as foul, kidney beans, and white beans), and different types of potato cuts (regular, extra crispy, seasoned, wedges and hash browns).

Sale of frozen fruits and vegetables products began in the 1970s with a few containers per month and has recently reached an average of approximately 6,000 MT per month for the period ended 31 March 2021G.

Today, the Company sells 5 fruit and vegetable product brands, including Dari, Montana, Marietta, and Life. Imported frozen fruits and vegetables products are sourced from 11 suppliers.

4.8.2.4 Dairy

Dairy products account for revenue of SAR 319 million for the financial year ended 31 December 2019G, SAR 349 million for the year ended 31 December 2020G, SAR 78 million for the period ended 31 March 2021G.

The Company's dairy product sub-categories comprises of white cheeses (such as tetra pack, bulk cheese and sheep feta product forms), processed cheeses (such as glassed jar cheeses, triangles, slices and cheddar products), animal fat butter, labneh, mozzarella (in bulk packs and shredded bags), cream (such as cooking, whipping, and sterilized creams), and premium natural cheeses (such as Edam, Emmental, Gouda, and Halloumi cheeses).

Sale of dairy products began approximately 40 years ago with a few containers and has developed to be approximately 2,000 MT per month for the period ended 31 March 2021G.

Today, the Company sells 5 dairy product brands, including Dari, its own brand. Imported products are sourced from 9 suppliers.

4.8.2.5 Olives & Oil

Olives and oil products accounts for revenue of SAR 236 million for the financial year ended 31 December 2019, SAR 262 million for the year ended 31 December 2020G, and SAR 77 million for the period ended 31 March 2021G.

The Company's olive and oil products sub-categories comprises of olives (in jars, tins and catering packs) and oils (such as olive oils and cooking oils).

Sale of olive and oil products began in approximately 50 years ago with 2 containers per month and has since grown to approximately 2,555 MT per month for the period ended 31 March 2021G.

Today, the Company sells 5 olive and oil product brands, including Marietta, its own brand. Imported products are sourced from 3 suppliers.

4.8.2.6 Others

Other products accounts for revenue of SAR 24 million for the financial year ended 31 December 2019, SAR 29 million for the year ended 31 December 2020G, and SAR 7 million for the period ended 31 March 2021G.

The Company's other products sub-categories comprises of rice, dry herbs, cooking oil, condiments (such as ketchup, mayonnaise, non-dairy cream, and chili sauce), and sesame tahini.

Sales of other SKUs began 5 years ago with limited quantity and has now reached approximately 500 MT per month for the period ended 31 March 2021G.

Today, the Company sells 2 other products brands, which are Marietta and Dari, its own brands. Imported products are sourced from 11 suppliers.

4.8.3 Distribution Channels

4.8.3.1 Overview

The Company has developed strong distribution channels across Saudi Arabia which provide access to approximately 18,000 customer outlets within its distribution channels as at 31 March 2021G.

The Company has three main distribution channels under its sales department: wholesale, retail and food service. The breakdown of the Company's revenues by distribution channel is as set out in Table 4-10 below for the relevant financial periods:

Table (4-10): Revenue Contribution of Distribution Channels:

Distribution Channel	FY18G SAR'000	FY19G SAR'000	FY20G SAR'000	Period ended 31/3/21G SAR'000
Wholesale	1,007,626	944,846	941,000	204,258
Retail	959,943	867,448	1,048,111	278,344
Food Service	529,776	606,767	549,343	145,453
Total	2,497,345	2,419,060	2,538,454	628,055

Source: Company information

4.8.3.2 Wholesale

The Company's wholesale distribution channel was comprised of 720 outlets representing approximately 32.6% of the Company's total revenue as at 31 March 2021G.

Wholesale customers sell the Company's products to restaurants, small retailers or other individual consumers. Typically, wholesale customers operate from a single location large store or warehouse with Cold Store facilities that distribute products in its immediate area. The Company's wholesale customers mainly purchase commodity products such as poultry, red meat, vegetables, in addition to certain branded products.

Generally, the Company develops relationships with wholesale customers, which have strong existing distribution networks of loyal customers. This enables the Company to leverage its wholesale distribution channel to indirectly access retail and food service customers it may not otherwise be able to reach due to their longstanding relationships with the Company's wholesale customers or which may not otherwise meet the Company's credit criteria. In addition, many of the Company's wholesale customers have access to areas which are beyond the reach of the Company's distribution network to be cost-effective, which effectively provides the Company with "last-mile" distribution capabilities.

The Company therefore, views its wholesale customers as strategic partners which provide an outsourced distribution capability that extends its distribution reach and complements its retail and food service distribution channels from a cost basis.

The Company contracts with wholesale customers on a purchase order basis, which provides flexibility for wholesalers to vary product volumes ordered. For further information, please refer to Section 4.8.4.3 ("**Description of typical supply terms and distribution arrangements**").

4.8.3.3 Retail

The Company's Retail distribution channel was comprised of 11,188 outlets representing approximately 44.5% of the Company's total revenue as at 31 March 2021G. The Retail distribution channel has two sub-categories of distribution: Key Accounts and Direct Retail Distribution (DRD).

Key Account retail customers comprise hypermarkets and supermarkets, which generally purchase branded products from the Company to be sold to consumers. As at 31 March 2021G, 7 of the Company's top 10 customers were Key Account retail customers, being Al Othaim, Panda, Carrefour, Al Danube, Lulu, Al Tamimi and BinDawood. Large supermarket chains with multiple stores across the main regions of Saudi Arabia provide strong channels through which the Company is able to distribute products from multiple Facilities.

DRD retail customers include smaller retail foodstuff outlets, which operate from a single location. In recent years the Company has seen increased demand from DRD retail customers driven by a consumer preference to purchase essential food products from local stores, which are often more conveniently located than larger supermarkets and offer quality daily staples, such as fresh bread, milk and fresh fruit and vegetables. Historically, these customers have been served by cash van sales representatives who drive designated routes from local warehouses offering items in stock on a cash sale basis. However, to more efficiently capture demand, the Company has adapted its DRD distribution model with pre-sales representatives visiting the DRD customers to confirm pre-orders which are delivered to the customer the next day. This has enabled the Company to better meet demand by ensuring that all orders can be met.

For Key Accounts, the Company generally enters into formal supply agreements. The Company typically signs the formal agreements with large retailers, which include terms tailored to the supermarket sector to address shelving space, product availability, promotion strategies and target rebates. The Company generally deals with customers in the DRD sub-category on a purchase order basis. For further information, please refer to Section 4.8.8.2 ("**Description of typical terms with customers**").

4.8.3.4 Food Service

The Company's food service distribution channel was comprised of 5,423 outlets representing approximately 23% of the Company's total revenue as at 31 March 2021G. The food service distribution channel includes two sub-categories: Key Accounts and Cash Van Sales. The Key Accounts category consists of customers that generate significant levels of revenue and pay pursuant to credit terms whilst the cash van sales category consists of customers that pay cash to the Company's cash van sales representatives who drive designated routes from local Branches to sell items in stock.

The food service distribution channel mainly distributes products to catering companies, quick service restaurants, airlines, hotels, traditional and fine dining restaurants, cafes, buffets, and juice shops. Food service customers are the most significant purchasers of commodity products such as poultry, meat, frozen fruit and vegetables, using these to prepare meals, which are on sold to their consumer clients.

The Company typically contracts with food service customers on a purchase order basis, which provides the Company with the flexibility to secure/allocate quantities of products from its suppliers before committing to supplying fixed volumes to food service customers. The Company has also entered into formal contractual arrangements with customers for the supply of certain products such as potatoes, olives, fruit and frozen vegetables. For further information, please refer to Section 4.8.8.2 ("**Description of typical terms with customers**").

4.8.4 Suppliers

As at the date of this Prospectus, the Company has more than 60 active suppliers. The Company purchases the majority of its products from key international suppliers of frozen, chilled and dry commodity and branded food products. As at 31 March 2021G, 88.7% of its suppliers were internationally based and 11.3% were based in Saudi Arabia. The large and diversified number of suppliers provides the Company with significant flexibility in sourcing the volume and quality of products it requires to meet customer demand.

The majority of the Company's suppliers are internationally renowned with established global market presences. For example, BRF Foods is one of the top chicken producers, Lactalis is one of the largest dairy product groups in the world, JBS is one of the top protein producers. The Company signed a cooperation agreement with Seara (a subsidiary of "JBS"), the largest producer of chicken and beef meat in the world, in support of the Company's strategy that aims to diversify its product categories and expand its services to meet the increasing demand of customers in the food sector in the Kingdom. The Company announced the signing of this agreement on its website on 11/04/2021G.

The Company's suppliers' base includes France Poultry, owned by Substantial Shareholder, Abdullah Ali Almunajem Sons Company, which supplies the Company with chicken products and accounted for approximately 27.9% of the Company's gross purchases of supplies for the period ended 31 March 2021G. The Company's supply base is also diversified to the extent that the Company is able to source high demand products, such as chicken, from several suppliers.

Relationships between many of the Company's suppliers date back more than four decades, when the Company was first established, and these relationships have continued with the Company to this day. The Company believes that the strength and longevity of its relationships with its key suppliers is due to two key factors. First, the Company has developed a reputation for maintaining high standards of integrity and fairness in its dealings with suppliers. Second, the Company believes that its strong financial position, state-of-the-art infrastructure, extensive distribution network and strong relationships with customers, and its deep market penetration offer suppliers a strong platform from which to increase market share in Saudi Arabia.

The Company benefits by building strong relationships with its larger suppliers and leveraging scale of its buying power into lower costs. The Company also develops relationships with smaller suppliers and is able to offer suppliers a competitive edge in terms of high level of distribution of the suppliers' range due to its distribution and fleet capabilities in all regions of the Kingdom.

4.8.4.1 Procurement Strategy

The Company's procurement strategy is aimed at bringing the highest quality products from international and local suppliers at competitive prices to its customers.

Management believes the quality of the Company's suppliers plays a key part in the Company's procurement strategy. The Company considers a range of factors when selecting new suppliers, including quality of product offerings as well as quality consistency; financial stability; integrity; price compatibility; supply continuity and suitability of products to meet the specific needs of the Saudi market.

The Company's procurement strategy also relies on a strong understanding of current developments in both the international and Saudi food products markets, including with respect to the introduction of new products, supply / demand status, consumer trends and market price acceptability. Consideration of these factors enables the Company to determine both its buying and selling strategy for at least the short run and sometimes even long run. Buying decisions are taken based upon market needs and the Company's capacity to serve its customers while still maintaining profitability benchmarks in those channels. For some products, seasonality of production in the countries of origin is also an important factor when making procurement decisions.

Determining the quantity of a product to be ordered from suppliers begins with a sales forecast for the upcoming period by the planning team based on inputs from the sales team, which calculates the expected volume of sales for a product. The frequency of forecasts varies depending on the nature of the product, particularly for commodity products. For example, sales forecasts for poultry products are given on a 60-day basis because poultry production levels can vary significantly from month to month, whereas sales forecasts for dairy products can be given on a monthly basis, since dairy production volumes are generally consistent from month to month.

Having received the product forecasts, the procurement team must then factor in the quantities of product that are being shipped to port, transported to the Company's Cold Store Branches and Meat Factory Branch, stored in its Cold Store Branches and Meat Factory Branch and distributed to its customers. The procurement team is then able to determine the additional quantity of products needed to meet sales forecasts for the relevant period.

The management team constantly communicates and coordinates to determine the ceiling price and quantity of product that will be ordered from all suppliers.

4.8.4.2 Key Suppliers

The top ten suppliers (identified based on gross purchases) for the years ended 31 December 2018G, 31 December 2019G and 31 December 2020G, and the period ended 31 March 2021G, accounted for 82.9%, 78.9%, 78.1%, 77%, and 76% respectively, of the Company's total gross purchases made. The majority of the top 10 Key Suppliers have had a relationship with the Business for twenty or more years.

The Company's top ten Key Suppliers as of 31 March 2021G identified by gross purchases for the period ended 31 March 2021G, are as set out in the table below:

Table (4-11): The Company's Key Suppliers:

Supplier		Key Brands	Period of Relation-ship	Country of Origin	Percentage of purchases from the Supplier / total Company's purchases			
					2018	2019	2020	31/3/21
France Poultry	France Poultry	Doux, Dari, Supreme	50	France	31.7%	27.2%	26.4%	27.9%
brf	BRF Foods	Unef	30	Brazil	1.0%	14.4%	5.6%	8.7%
LambWeston	Lamb Weston	Lamb Weston	20	Nether-lands	7.0%	8.5%	8.8%	9.1%

Supplier		Key Brands	Period of Relation-ship	Country of Origin	Percentage of purchases from the Supplier / total Company's purchases			
					2018	2019	2020	31/3/21
	Agro Sevilla	Coopoliva	50	Spain	6.2%	5.5%	6.5%	9.1%
	Lactalis	President	25	France / Egypt / Spain / KSA	4.8%	5.5%	9.4%	6.5%
	Arla	3 Cow	40	KSA and Denmark	6.2%	4.7%	3.0%	2.3%
	Silver Fern Farms	Silver Fern Farms	30	New Zea-land	3.4%	3.7%	4.3%	2.0%
	Vibra Agroindustrial	Nat	5	Brazil	2.5%	3.9%	6.8%	6.9%
	IFFCO	Hayat, Marietta	4	KSA	2.8%	3.0%	3.6%	3.1%
	Royal Foodstuffs Pvt. Ltd.	Dari, Marietta, Montana	15	India	1.5%	1.9%	2.4%	2.3%

Source: Company information

4.8.4.3 Description of typical supply terms and distribution arrangements

The Company has signed formal supply and distribution contracts with 4 out of 10 Key Suppliers, who account for approximately 47% of total gross purchases made by the Company as at 31 December 2020G. The Company has also formal supply and distribution contracts with a number of suppliers outside of the top 10 Key Suppliers.

The supply and distribution contracts with the Key Suppliers range between two and ten years. These contracts include the following key terms:

- the terms for the order, delivery, return and payment for products between 30 and 90 days;
- exclusivity and non-compete terms given on a mutual basis;
- the duration of the contract, termination and renewal rights (if any) of the parties; and
- license to sell products bearing the trademarks of the supplier.

Where the Company has signed a supply and distribution agreement, the Company's purchase orders are submitted subject to the terms of the relevant contract and may include additional terms and conditions contained in the purchase order forms and/or contained in the email. These may include the Supplier's liability for delay of shipment, warranties that the packaging and nutrition facts if the product complies with SFDA requirements and indemnities for costs resulting from the supplier's breach of one or more of the terms.

One of the Company's Key Suppliers, France Poultry, with whom the Company has signed a formal supply and distribution agreement is a related party. The Company believes that the agreement between the Company and France Poultry has been entered into on an arm's length basis and contains similar terms to those mentioned above.

For other suppliers, the Company generally purchases products from its suppliers on an "invoice" basis, rather than pursuant to the terms of a formal supply or distribution agreement. The majority of the branded products sold by the Company are sourced pursuant to formal supply or distribution agreements. The Company has developed strong, longstanding relationships with many of its suppliers and has often found that dealing with these suppliers on this basis has provided it with flexibility to vary quantities of products ordered and not be bound by exclusivity arrangements, which restrict the Company from importing a similar product from another supplier.

The main commercial and payment terms are usually negotiated between the Company's procurement team at the Company's Head Office and the Company's suppliers. In all cases, title and ownership of the supplied products transfer from the Company's suppliers to the Company upon delivery and receipt of the supplied products at the port of destination and the Company has the right to return any defected or spoiled products, following inspection.

Where the Company deals with suppliers on an "invoice" basis, the Company submits purchase orders to suppliers via email for acceptance. The purchase orders include details of the supplied products, namely the list of products, the quantities ordered, buying price, and the delivery date. Depending on the form of purchase order used, additional terms and conditions, addressing the terms for the delivery, return and payment of supplies and the terms for the product packaging may be included in the purchase order form.

Following receipt of the purchase order, the supplier issues a pro forma invoice to the Company, which includes the list of products supplied and the total price. When accepted, the Company signs the pro forma invoice (at which time the terms and conditions for the shipment and return of the listed products becomes binding) and sends the invoice back to the supplier. Payment terms of suppliers' invoices generally range from 0 to 90 days with certain products such as poultry and meat paid on a 'cash against document' basis.

For further details on the main terms of the distribution contracts with Key Suppliers, please refer to Section 12.5.1 ("**Key Suppliers Agreements**").

4.8.5 The Company's Supply Chain

Management believes that one of the Company's competitive advantages is its effective supply chain management system which is tailored to the Company's supply needs. The Company's supply chain is responsible for handling the flow and distribution of products from the Company's suppliers to its customers and is managed by three main teams: the planning team, transportation team and operations team.

The key steps in the Company's supply chain process are as follows:

4.8.5.1 Generation of Sales Forecasts

The supply chain process is triggered by the generation of forecasts received by the centralized procurement team from the planning team, which works closely with the sales team to produce accurate sales forecasts for use by the procurement team. For more information, please refer to Section 4.8.4.1 ("**Procurement Strategy**").

4.8.5.2 Submit Purchase Orders

The planning team works with the procurement team to finalize purchase orders, which are submitted to suppliers for the required quantity of products. The procurement team then confirms the quantities and prices of the products in the purchase orders directly with the suppliers.

4.8.5.3 Shipping Documentation

Once the products are shipped, the supplier provides the transportation/logistics team with an Advanced Shipping Notice ("**ASN**") which confirms the quantity of products shipped against the quantity of products ordered and provides an estimated arrival date. The transportation/logistics team inputs the information from the ASN into the Company's Oracle system which allows the Company to track progress of the shipment. The transportation/logistics team then obtains the bill of lading for the purchase order, which guarantees the Company's payment for the products to the supplier, and provides it to the transportation team at the port to compare against the delivery order, which is released by the shipping line to clear goods from ports.

4.8.5.4 Customs Clearance

The Company's ports and transportation team has customs clearance teams stationed at each of the Jeddah Islamic Port, King Abdullah Port in Rabigh, and King Abdulaziz Port in Dammam, where the Company receives its imported products. When products arrive at a port, the Company's customs clearance teams, consisting employees holding customs clearance licenses, compare the delivery order to the bill of lading (provided by the transportation/logistics team) and clear the products with Saudi Customs.

Typically, Saudi Customs officials inspect some containers and SFDA officials take samples of certain products for analysis at its laboratories. If products are under testing by the SFDA, the Company must hold the relevant products in its Cold Store Branches until the SFDA clears them for distribution.

4.8.5.5 Pick-up from Port

Once the products have cleared Saudi Customs, the ports and transportation team arranges for a third-party transport company to pick up the containers. The Company contracts with several third-party transport companies in both Jeddah and Dammam to ensure transport services are available for every shipment and that pricing for such services remains competitive.

The planning team determines the number of containers to be transported to each of the Facilities served by the relevant port and then communicates the allocation to both the transportation team and the third-party transport company. In the event that certain Cold Store Branches do not have capacity, the containers are transported to locations near each port for temporary storage.

4.8.5.6 Delivery to Cold Store Branch

When products are delivered to a Cold Store Branch by a third-party transporter, the warehouse operations team at the relevant Cold Store Branch ensures that the products received match the purchase order issued to the supplier and the ASN from the supplier. The warehouse operations team also inputs quantities of the products into the Oracle system for inventory tracking. The quality control team then inspects the products for quality assurance (see section 4.8.6 "Quality Assurance and Control" for more details).

4.8.5.7 Storage in Cold Store Branch

After products are inspected for quality assurance, the warehouse operations team uses the Oracle system to identify empty shelf spaces in the Cold Store Branch. Products are usually received on standard pallets (1.0m by 1.2m) then put away and stored in the warehouse locators. In most Cold Store Branches, an operator can then use the mobile racking system to move the shelving units so that a corridor is opened to allow the pallet of products to be placed on the empty shelving unit.

4.8.5.8 Filling Orders

Once the products are stored in the Cold Store Branch, orders that are placed by sales teams are filled by the distributing team. Typically, orders are placed by the sales team at night so that products can be loaded on trucks overnight and dispatched for delivery to customers early next morning. Some orders that are placed in the morning are fulfilled in the afternoon on the same day.

4.8.6 Quality Assurance and Control

The Company's quality controllers are responsible for ensuring that the products sourced from its suppliers and distributed to its customers are fit for consumption. The quality team is comprised of qualified individuals with previous experience as quality controllers in the food industry who have the experience required to assess the quality of a diversified range of products, many of which have different quality considerations and requirements.

The Company is committed to ensuring that customers receive high quality products. Therefore, the Company's quality assurance process runs throughout the entire supply chain, with quality assurance checks carried out at the following stages:

- **Quality testing of new products** – After the procurement team has identified new suppliers for a given product, the quality team obtains and analyzes samples of the new suppliers based on quality benchmarks set by the market leaders of the particular product which involves conducting a number of tests including chemical tests (for PH, moisture content, solids content), physical tests (for drip percentage, size grading and checking for blemishes) and in-house tasting (for texture, taste, color and smell). After conducting its analysis, the quality team will recommend the new supplier with the highest quality products to the procurement team who will coordinate final approval of the new supplier. The procurement team requests nutritional facts and technical data sheets from the supplier for its products, which the quality team must analyze to identify any issues and match against the product's labeling. The quality team must also ensure that the supplier's technical data sheet meets SFDA's standards, otherwise the product is not permitted to be sold in Saudi Arabia.
- **Products Inspection upon receipt at Cold Store Branch** – Random testing procedures are applied when products are received at the Company's Cold Store Branches. Samples from each container are analyzed and benchmarked against batches previously received from the supplier. At the time of receiving fresh items (such as meat, fish, fruit and vegetables), it is the responsibility of the quality controllers in each warehouse to check the quality of each item, its expiry date and under what conditions they should be stored in preparation for sale.

- **Monitoring quality during storage** – Whilst products are stored in the Cold Store Branch, the quality team continually monitors the temperature of each of the rooms in the warehouse to ensure the correct temperature for the products is being maintained
- **Products Inspection prior to dispatch from Cold Store Branch** – When products are being dispatched from the Cold Store Branch, the quality team ensures that the products are properly handled and loaded onto trucks to prevent spoilage. The team also ensures that the trucks are set at the correct temperature for the particular types of products to be loaded. For instance, chilled products cannot be loaded onto trucks that are at temperatures appropriate for frozen products.

In addition, the quality team is also responsible for receiving and investigating customer complaints.

4.8.7 Brands

Over the years, the Company has demonstrated its ability to establish and grow its own food product brands under registered trademarks in Saudi Arabia. One of the Company's most successful owned brands is Dari, under which the Company sells frozen meats, frozen fruits and vegetables and some dairy products. Since 2015G, sales of Dari have grown almost four times from sales of approximately SAR 34 million for the year ended 31 December 2015G to sales of approximately SAR 207 million for the period ended 31 December 2020G. Revenues from the Dari brand amounted to SAR 67.2 million for the period ended 31 March 2021G.

The Dari, Hayat and Montana branded products are produced under private label under arrangements with international suppliers. The Company seeks to introduce new privately labeled products in response to product demand based on its own market research. The Company then surveys suppliers from around the world from which it can source a high quality grade of product and enters into an arrangement. Under the arrangement, the supplier will produce, package and label the product in accordance with the Company's instructions with respect to nutritional values and packaging and labeling requirements to comply with applicable regulations in Saudi Arabia. The products are then imported for distribution to customers in Saudi Arabia.

Products under the Habra and Al Anaam Al Saudia brands (and some Dari products) are produced and labelled by the Company at its Meat Factory Branch in Jeddah.

The Company's full offering of its own brands are as set out in the table below:

Table (4-12): The Company's own brands:

Brand	Product Categories	Products Offered	Years Offered
Dari	Poultry & Meat, Frozen Fruits & Vegetables, Dairy, Olives Products, Others	Chicken, chicken parts, meat, duck, franks, minced, frozen vegetables and fruits, potatoes, dairy, thyme, labneh, quail, canned vegetables, ketchup and mayonnaise.	5
Habra	Poultry & Meat	Minced meat, Indian Meat	30
Hayat	Frozen Fruits & Vegetables	Vegetables	3
Montana	Fruits & Vegetables	Frozen Fruits & Vegetables	40
Marietta	Frozen Fruits & Vegetables, Others	Frozen vegetables, fruits, cooking oil, broad beans, rice, tuna, tahini, dairy, ketchup, mayonnaise, hot sauce	15
Al Anaam Al Saudia	Processed poultry & Meat	Minced meat	30

Source: Company information

By virtue of its strong, longstanding relationships with key international suppliers the Company distributes a number of leading international brands with significant market share in their product categories.

Key international brands supplied by the Company include those set out in the table below:

Table (4-13): The Company's key brands owned by its suppliers:

Brand	Product Categories	Products	Years Offered	Country of Origin
Doux	Red & White Meats	Chicken, turkey and processed chicken	50	France
President	Dairy	Cheese, butter and labneh	10	France / Egypt – Spain / KSA
Lamb Weston	Frozen Fruits & Vegetables	Potatoes	20	Netherlands and USA
Valbreso Feta	Dairy	Cheese	2	France
Silver Ferns Farms	Red & White Meats	Meat	30	New Zealand
Coopoliva	Olives & Oil	Olive and oil olives	50	Spain
Moralejo Seleccion	Red & White Meats	Lamb Meat	4	Spain
Asmak	Red & White Meats	Fish	5	UAE, Oman , Vietnam, Malaysia
Supreme	Red & White Meats	Chicken	30	France
Germania	Red & White Meats	Duck	8	Brazil
Seara	Red & White Meats	Whole chicken, chicken parts, processed chicken	40	Brazil

Source: Company information

4.8.8 The Company's Key Customers

The Company has a diverse customer base distributing through approximately 18,000 customer outlets across all major regions of Saudi Arabia, with no single customer accounting for more than 10% of the Company's revenue for the financial year ended 31 December 2020G.

4.8.8.1 Key Customers

The Company's top 10 Key Customers contributed 23.9% of the Company's revenue for the financial year ended 31 December 2020G. (See Table 4-14: ("The Company's Key Customers as at 31 December 2020G")) and 27.5% of the Company's revenues for the period ended 31 March 2021G (see Table 4-15: ("**The Company's Key Customers as at 31 March 2021G**")).

As at 31 December 2020G, 10 of the Company's top customers were hypermarket or supermarket retail customers, being Al Othaim, Panda, Carrefour, Al Danube, Lulu, Al Tamimi and BinDawood. Key customers with multiple stores across the various regions of Saudi Arabia provide strong channels through which the Company is able to distribute products.

For the period ended 31 March 2021G, 10 of the Company's Key Customers were hypermarket or supermarket retail customers, being Al Othaim, Panda, Carrefour, Al Danube, Lulu, Al Tamimi and Farm. Key customers with multiple stores across the various regions of Saudi Arabia provide strong channels through which the Company is able to distribute products.

The Table below shows the Company's top 10 Key Customers based on revenue contribution for the financial year ended 31 December 2020G and the period ended 31 March 2021 (ordered alphabetically).

Table (4-14): The Company's Key Customers as at 31 December 2020G:

Customer	Distribution Channel	Period of Relationship	Number of Outlets
Al Danube	Retail	1998	46
Al Othaim	Retail	1988	253
Al Tamimi	Retail	2001	43
Bin Dawood	Retail	1996	21
Carrefour	Retail	2005	19

Customer	Distribution Channel	Period of Relationship	Number of Outlets
Lulu	Retail	2011	20
Najmat Al Shamal	Wholesale	1989	1
Panda	Retail	1995	202
Shawaya House (Related Party)	Food Service	2005	47
Tarek Al Haweal	Wholesale	1989	2

Source: Company information

Table (4-15): The Company's Key Customers as at 31 March 2021G:

Customer	Distribution Channel	Period of Relationship	Number of Outlets
Al Danube	Retail	1998	46
Al Othaim	Retail	1988	253
Al Tamimi	Retail	2001	43
Farm	Retail	2001	85
Al Baik	Food Service	2012	16
Shawerma House	Food Service	2009	9
Carrefour	Retail	2005	19
Panda	Retail	1995	202
Shawaya House (Related Party)	Food Service	2005	47
Tarek Al Haweal	Wholesale	1989	2

4.8.8.2 Description of typical terms with customers

The Company's relationships with its customers are generally governed by the terms of its account opening forms, which set the customer's credit limit, terms of payment and certain other terms. Supermarket customers often request that the Company sign a form of supply agreement, which includes fee structures common to the supermarket and hypermarket sector.

Where no formal contract is in place, the Company receives customer orders through several methods handled by the sales team in each branch separately. For example, sales representatives visit wholesale customers, major grocery stores, and food service customers to receive their orders in terms of items and quantities, enter them on a tablet, and then automatically convert them to the operating system. In other cases, the customer sends a purchase order to the branch sales team by e-mail. In exceptional circumstances, the Company allows receiving customer requests either by phone or through e-mail messages. Purchase orders include details of the products ordered, in particular the list of products, quantities required, returns policy and prices.

For supermarket and hypermarket customers, the Company generally signs with them a commercial agreement or promotional activity plans, as well as additional terms for the shelf space rental and target rebates.

For example, when a customer's order exceeds an agreed amount under the relevant commercial agreement, the terms of the agreement entitle the customer to a percentage rebate or discount on the purchase price per SKU. A material portion of the Company's income is generated by obtaining premium and strategic shelf space in the associated Key Account outlets, pursuant to the terms of the commercial agreements, in order to attract the consumers to the Company's products and to increase the market share and sales.

The Company has signed commercial agreements or promotional activity plans with 7 of the top 10 Customers which are Hyper and Supermarkets for a term of one year. For further details on the main terms of the contracts with Key Customers, please refer to Section 12.5.3 ("**Key Customers Agreements**").

Once the purchase orders are received by the Company, the Company enters the sale order into its ERP system and, subject to the products being in stock, a credit invoice is issued which states the quantity of products and the price. Upon issue of the credit invoice, the total price is deducted from the customer's credit line set in the account opening form. The products are then transported together with the credit invoice to the Company's customers' and the contract is completed once the credit invoice has been signed upon receipt of the products. The Company's typical payment terms with its customers are 15 days from the monthly statement, as agreed in the account opening forms.

4.8.9 Distribution Network

The Company has developed an extensive distribution network, which facilitates the efficient delivery of an average of more than 700 SKUs to approximately 18,000 customer outlets per month.

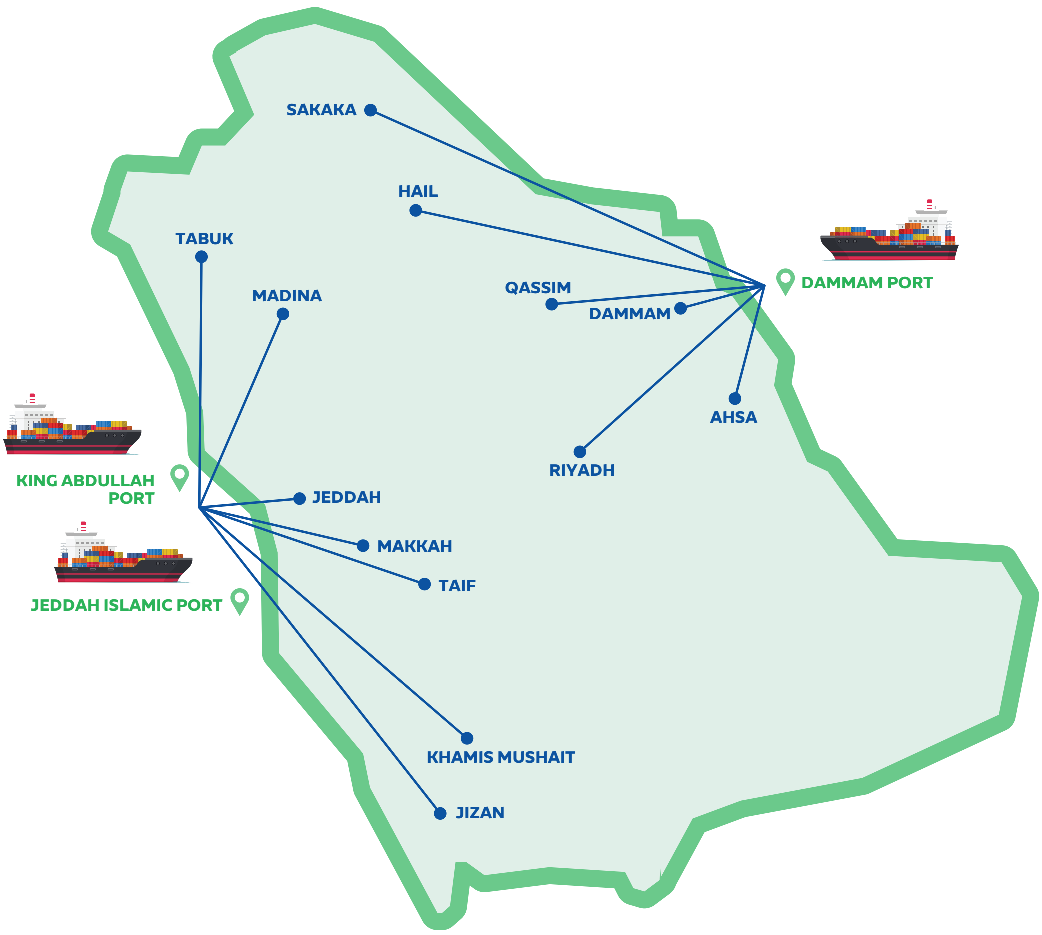
The Company's network comprises 14 Branches located strategically in all major regions of Saudi Arabia which receive imported products from three ports (Jeddah Islamic Port, King Abdullah Port in Rabigh, and King Abdulaziz Port in Dammam) and a Fleet of more than 1,000 vehicles which deliver the Products to customer locations across Saudi Arabia. The Company also benefits of its extensive warehousing capacity and distribution network to provide warehousing and distribution services to third parties, who are primarily clients in the wholesale and food service sectors.

Each Cold Store Branch has a dedicated fleet of vehicles of between 20 and 400 vehicles which generally service customers within a radius of up to 700 km from the Cold Store Branch, enabling the Company to distribute to all major populations centers where demand is highest. Within each Cold Store Branch's dedicated fleet, certain vehicles are assigned to each of the wholesale, retail and food service distribution channels.

The supply chain team ensures that vehicles operate along pre-scheduled routes from the relevant facility. The schedule of service routes is designed to ensure that the Company optimizes the use of the assets comprising its "distribution network". This is achieved by designing the most efficient routes so as to minimize fuel consumption whilst optimizing the frequency of use of routes to ensure that maximum utilization of the Fleet is achieved.

The following map provides a geographic overview of the three ports that supply the Company's Cold Store Branches as at the date of this Prospectus:

Figure (4-2): Geographic overview of the three ports that supply the Company's Cold Store Branches



4.8.10 Branches

4.8.10.1 Overview of Branch portfolio

As at the date of this Prospectus, the Company operates 14 Branches throughout Saudi Arabia, which comprise 12 Cold Store Branches, 1 Sales Branch and 1 Meat Factory Branch in Jeddah.

The Company possesses the technical, human and technical capabilities necessary to manage its inventory with high efficiency and flexibility over the years, and is very flexible in redistributing its stock, when needed, among its numerous branches across the Kingdom. The Company also has permanent contracts with equipped external yards near ports, which helps it in scheduling and organizing the receipt of containers within the branches. It should be noted that the high volume of daily sales allows the Company to organize its inventory turnover. The branches in Riyadh, Jeddah and Dammam are classified as main branches, due to their high capacity and proximity to ports, as these branches contribute to organizing the supply of nearby branches. In addition, the Company has temporary lease contracts with a number of storage companies in the Kingdom, as and when needed.

The Company's flexibility and effectiveness of its performance was best illustrated when a fire broke out in the Burieda Cold Store branch in 2018, and the Company continued to serve the region through its Riyadh, Hail and Ahsa branches smoothly, which proves the Company's ability to maintain continuity of supply and customer service on a consistent basis.

The following table sets out the key information and statistics in respect of each Branch of the Company (ranked by year opened):

Table (4-16): Overview of the Company's Branches

Region	Branch	Year Opened	Storage Capacity (MT)	FY20G Revenue (SAR'000)	Operational Ratio for FY20G	Period ended 31/03/21G Revenues (SAR'000)	Operational Ratio for the period ended 31/3/21G
Central Region	Riyadh	1962	17,433	1,145,488	93%	289,392	86%
	Burieda	1977					
Eastern Region	Dammam	1989	10,636	340,391		81,866	
	Ahsa	2014					
Western Region	Makkah	1980	15,448	558,907		137,415	
	Jeddah	1992					
	Madinah	2011					
	Meat Factory*	1991					
	Taif**	2011					
Northern Region	Hail	2012	2,892	251,348		57,572	
	Tabuk	2013					
	Sakaka	2018	900				
Southern Region	Khamis Mushait	1996	6,753	242,321		61,810	
	Jizan	2015					
Total			**54,062**	**2,538,454**		**628,055**	

Source: Company information

* The Meat Factory Branch has some storage capacity for the meat products it processes.

** The Taif Branch is a Sales Branch and does not feature storage capacity like those of the Cold Store Branches.

4.8.10.2 Description of Company Cold Store Branches

Each of the Company's 12 Cold Store Branches is designed to safely store frozen, chilled and dry food products in temperature-controlled settings. The storage capacity of the Company's Cold Store Branches varies between 1,000 MT to 15,000 MT, giving the Company a total storage capacity of approximately 55,000 MT.

The Cold Store Branches are generally divided into four main Cold Store rooms, with separate rooms dedicated for frozen, chilled, meat and dry foods. This allows the Company to separately set and control different temperature levels for each category of food product. Most of the Company's Cold Store branches are equipped with advanced mobile racking systems, which achieves high efficiency for stock management.

Most Cold Store branches have a common area where products are unloaded from trucks arriving from the ports, inspected by the quality team and loaded on trucks for delivery to customers. Each Cold Store Branch has parking bays to accommodate the fleet of vehicles dedicated to serve the Cold Store branch and most Cold Store branches also feature workshops to service the trucks. The Cold Store branches also contain administrative offices from which the Cold Store branch's management functions operate. Buildings for staff accommodation are situated near some Cold Store branches.

4.8.10.3 Description of Meat Factory Branch

The Company owns a meat processing factory in Jeddah, which produces minced meat products, such as beef, mutton or chicken, in addition to processed products (burger beef, chicken and nuggets) and chicken parts. The facility was built in 1992 and has been licensed to produce a total production capacity of 15,000 MT per year. Currently, the Meat Factory Branch produces a total production capacity of approximately 7,000 MT per year.

The Meat Factory Branch receives raw foods imported from mainly international suppliers, which represents approximately 1% of the total white and red meat purchased from the Company's suppliers. These products are produced under the brands of Habra, Alanaam Alsaudia, Dari and Doux, and are distributed to the Company's Cold Store Branches for storage and onward distribution to customers.

The Meat Factory Branch is managed by a plant manager who manages 60 employees.

4.8.10.4 Description of Sales Branch

The Company established the sales branch in Taif in order to serve customers based in the city of Taif, as well as those based in neighboring governorates. The sales branch has dedicated sales and distribution teams that handle the distribution of products but does not feature storage capacity like those of the Cold Store branches.

4.8.10.5 Technology of branches

The Company utilizes several technologies to efficiently conduct operations in its Cold Store Branches.

- **Racking systems** – Most of the Company's Cold Store branches are equipped with advanced mobile racking systems. Mobile racking systems enable the Company to maximise storage capacity within the available floor space whilst minimising the time taken to access and pick products. The mobile racking system has shelf rows that are displaceable such that only the working isle is open, unlike conventional racking systems where each shelf row is separated from the next by a working isle. By eliminating a large number of working isles the storage capacity in an existing Cold Store branch can be effectively doubled. The mobile shelf rows can be moved automatically from a central set of controls or de-centrally from individual shelf rows to gain access to products stored on any given shelf row. The mobile racking system enables the warehouse operations team to efficiently access and pick products with the first expiry date irrespective of its location in the racking system. When a sales order is sent to the warehouse operations team, the racking systems operators are able to efficiently execute orders by using the Company's Oracle system, which maps the location of the products and the mobile racking system's mechanical software to obtain the requested products. The Company also uses a conventional static racking system in two of its Cold Store branches.
- **Inventory management** – The Company's warehouse operations are supported by an advanced inventory management system based on Oracle software that tracks products in real-time from the point of shipment to delivery at the Cold Store branch, to its location in the racking systems and dispatch from the Cold Store branch. When products are received at the Cold Store branch, the warehouse receiving team uses the inventory management system to identify empty shelving locations in the Cold Store branch, after which the warehouse operators may use the racking system to easily store the products. The inventory system monitors the expiry dates of all products stored and directs the warehouse operations team to pick the products with the first expiry dates whilst also identifying any expired products which are then discarded and destroyed.

- **Temperature controls** – The Company uses an advanced system based on Oracle software to set and monitor the temperatures of its Cold Store branches and trucks to ensure that products are being stored at the appropriate temperature.

4.8.11 Fleet

4.8.11.1 Overview

The Company's distribution operations are supported by a Fleet of over 1,000 delivery vehicles.

The Fleet comprises a variety of vehicle classes, including sedan cars and 1-ton, 4-ton and 10-ton trucks. The sedan cars are for the use of sales representatives, the 1-ton trucks are used for the delivery of small and emergency orders, including to restaurants or hotels on an as-needed or urgent basis, the 4-ton trucks are used for regular deliveries and cash van sales and the 10-ton trucks are used for deliveries of large orders.

The vehicles are allocated amongst the Cold Store branches and to specific distribution channels within each Cold Store branch. This assists in optimizing the use of the Fleet and tracking performance of each Cold Store branch and distribution channel.

The distribution trucks are equipped with GPS and temperature tracking systems. The GPS systems enable the Company's fleet and quality teams to track the entire fleet from a centralized location in the Head Office (Riyadh) and each Cold Store branch to track its own trucks. The GPS systems also allow the Company to monitor driving behavior, including speeds and braking, which can have an impact on the quality of the product that reaches the customer.

The following table includes a summary of the classes of vehicles within the Fleet used to provide the Company's services as at 31 March 2021G, specifying ownership arrangement and use:

Table (4-17): Fleet Overview

Region	Branch	Owned Sedan Cars	Leased Sedan Trucks	Owned 1-Ton Trucks	Owned 4-Ton Trucks	Owned 10-Ton Trucks	Buses	All Vehicles
Central Region	Riyadh	12	125	59	140	20	4	360
	Buraida	0	37	17	38	6	0	98
Eastern Region	Dammam	1	47	20	40	4	0	112
	Ahsa	0	10	3	10	1	0	24
Western Region	Makkah	0	24	7	26	2	0	59
	Jeddah	0	57	19	39	2	2	120
	Madinah	0	22	6	23	5	0	56
	Taif	0	10	2	22	1	0	35
Northern Region	Hail	0	9	4	11	3	0	27
	Tabuk	0	15	4	15	2	0	36
	Sakaka	1	10	0	24	1	0	36
Southern Region	Khamis Mushait	0	32	12	39	1	0	84
	Jizan	0	14	5	14	0	0	33
	Totals	**14**	**412**	**158**	**441**	**49**	**6**	**1,080**

Source: Company information

4.8.11.2 Tracking Technology

The operation and tracking of the Fleet are handled by a centralized operations control center (COCC) located in Riyadh, supervised by a skilled team of employees, which follows up the process of delivering products to customers.

The COCC monitors the movements of the entire Fleet of over 1,000 vehicles in real time by GPS across all regions of Saudi Arabia. The Company's GPS based monitoring software is supplied by a third party vendor and allows the Company to track the position and movement of every vehicle within the Fleet and to monitor the temperature of the refrigerated storage compartments.

The tracking system is accessible to multiple teams for different purposes. The system allows the sales team in each Cold Store Branch to monitor the progress of deliveries to ensure products reach customers at the agreed time. Quality controllers access the tracking system to ensure temperatures are maintained or adjusted depending on the type of products being carried.

4.8.11.3 Multi-Zone Truck Technology

Some of the trucks in the Fleet are equipped with dynamic partitions, which enable these trucks to simultaneously maintain different temperatures between independently-controlled compartments of the trucks. This technology enables a truck to carry dry, chilled and frozen products at the same time, which allows the Company to efficiently distribute a variety of products more efficiently to more than one customer per trip and in fewer trips. The Company believes that the multi-zone technology allows it to generate sales in a shorter period of time.

4.8.11.4 Ownership and Leasing Arrangements

As at 31 March 2021G, of its total Fleet of 1,080 vehicles, 668 were owned by the Company and 412 were leased.

The 1-Ton, 4-Ton and 10-Ton trucks are owned by the Company because of their long useful lives and it is more efficient to carry out maintenance within the Company's own workshops located in each of the Facilities. The workshops have an inventory of spare parts and are operated by experienced personnel who carry out all required servicing except in respect of parts of the vehicles that are under warranty. The remaining classes of vehicles are generally leased based on the mileage and useful life.

4.8.11.5 Driver Training

New drivers must present a heavy vehicle driving license and are tested at the interview stage by either the transportation manager or fleet manager, or both of them.

The Company strives to maintain the highest safety standards. Accordingly, if there are accidents or misbehavior, warnings are issued to the driver after investigation. Repeat issues may lead to termination.

4.8.11.6 Marketing and Media

The Company markets its own branded products and distributed branded products using various marketing techniques, whereby, in many cases, the Company undertakes marketing activities within customer's retail stores, such as placement of brochures, signage, displays renting shelf space, promotional packaging, etc. (BTL). In some cases, the Company undertakes marketing activities through mass media, such as the various social media platforms, television, and radio (ATL).

The Company works with marketing agencies to develop marketing campaigns, increase awareness of its brands and monitor its performance in the market. The Company recognizes that social media is trending and by far the most cost-effective mean of promoting its brand and focuses on the social media platforms that are prevalent in Saudi Arabia, such as Twitter, Instagram, Snapchat and YouTube to advertise its brands, including Dari, Doux and Coopoliva. Some suppliers prefer to handle their own ATL marketing for their branded products.

4.8.11.7 Pricing and Sales

If a contract of specific items and quantities is entered into with a customer for a specific period of time and at specific prices, the price shall be fixed for the agreed period. In such cases, the Company agrees with the relevant supplier regarding the same items and quantities and for the same period agreed upon with the customer in order to ensure the availability of products and price stability.

For sales on a purchase order basis, there is a pre-determined price list categorized by product used by salesmen which is set by the Sales Management team - prices change periodically according to market developments.

The Company's product portfolio is diversified, therefore the pricing mechanism for any given product may be determined by many factors depending upon the type of the product which may include supply and demand, crop production levels, live cattle prices, raw materials prices and the market and geography from where the product is sourced, plus the relation with customers and extent of purchases volume of each.

The Company's inventory turns, on average, approximately every 7 weeks, which mitigates the Company's exposure to cost fluctuations.

4.8.11.8 Employees

As at 31 March 2021G, the Company had 1,832 employees, of whom approximately 306 are Saudi nationals (The total number of employees in the Company includes employees sent from recruitment companies).

The following table sets out the distribution of employees per department as at 31 December 2018G, 2019G, and 31 December 2020G and the period ended 31 March 2021G.

Table (4-18): Overview of Company's staff

Department	No. of Employees											
	FY18G			FY19G			FY20G			Period ended 31/03/21G		
	Total Employees	Saudi Employees	Non-Saudi Employees	Total Employees	Saudi Employees	Non-Saudi Employees	Total Employees	Saudi Em-ployees	Non-Saudi Employees	Total Employees	Saudi Employees	Non-Saudi Employees
Sales	856	82	774	781	67	714	798	76	722	788	70	718
Supply Chain	625	92	533	631	90	541	650	97	553	644	86	558
Support Services	231	101	130	233	96	137	228	102	126	233	102	131
Finance & Collection	70	19	51	69	19	50	71	19	52	72	20	52
IT	29	1	28	29	1	28	31	2	29	32	3	29
Human Resources	22	11	11	22	11	11	21	12	9	22	13	9
Quality Control	18	5	13	16	7	9	18	5	13	21	8	13
Procurement	9	0	9	9	0	9	9	0	9	9	0	9
Marketing	6	3	3	5	2	3	7	3	4	7	3	4
Management	2	1	1	2	1	1	2	1	1	2	1	1
Internal Audit	0	0	0	0	0	0	0	0	0	2	0	2
Total	**1,868**	**315**	**1,553**	**1,797**	**294**	**1,503**	**1,835**	**317**	**1,518**	**1,832**	**306**	**1,526**

Source: Company information

4.9 Saudization

The Saudization program was adopted by virtue of His Excellency the Minister of Labor's Decision No. 4040 dated 12/10/1432H (corresponding to 10 September 2011G), pursuant to Council of Ministers' Resolution No. 50 dated 21/5/1415H (corresponding to 27 October 1994G). The "Nitaqat" program was implemented on 12/10/1432H (corresponding to 10 September 2011G), with the Ministry of Human Resources and Social Development beginning the implementation of the Nitaqat program to encourage institutions to employ Saudi citizens. Through the "Nitaqat" program, the performance of any company is evaluated based on specific categories (classifications), namely the platinum category, the green category (subdivided, into low, middle and high) and the red category. Companies in the platinum or green categories are deemed to have met Saudization requirements and are therefore entitled to a number of benefits, such as: obtaining and renewing work visas or otherwise changing the occupations of its non-Saudi workers (except for professions exclusively reserved for Saudi nationals). Companies in the red category (due to their non-compliance with specific requirements), are deemed to have violated Saudization requirements and may be subject to certain punitive measures, such as limiting their ability to renew non-Saudi employees' work visas or completely prohibiting non-Saudi employees from obtaining or renewing work visas.

Below is as table setting out the Saudization percentage of the Company as at 31 March 2021G.

Table (4-19): Saudization percentage of the Company as at 31 March 2021G

Activity	Nitaqat Status	Saudization Percentage
Wholesale and retail trade of foodstuffs, furniture and agricultural commodities	Medium Green	28.61%
Road transportation of goods within cities	Medium Green	18.39%
Cleaning services	Medium Green	11.59%

Source: Company information

4.10 Future Plans and Growth Opportunities

4.10.1 Development and Expansion of the Current Food Products Range

The Company intends to increase its market share – in terms of its range of basic varieties – by utilizing its expertise, logistical and distribution capabilities, deep knowledge of the food market and successful relationships with many market players. The Company has conducted an in-depth review of its existing brands and, accordingly, identified many potential growth opportunities, from adding new products and expanding by using a variety of distribution channels as follows:

- **Red and White Meats:** Over the next five years, the Company will focus on expanding its presence further in the food service channels. In addition, the Company will complete its current efforts to increase its share in the red and white meat market further by expanding its presence in the value-added food sectors, specifically manufacturers, such as frozen chicken pieces, chicken burgers and nuggets. Towards that end, the Company started expanding its meat factory in 2020G.
- **Dairy:** The Company will explore opportunities to expand and enhance its portfolio of brands, due to the fact that it possesses the necessary capabilities that enable it to obtain a good market share.
- **Olive Products:** The Company plans to expand its presence in this category of brands by focusing more on food service channels, branding and offering premium prices.

4.10.2 Entering new Product Markets

The Company is studying the feasibility and potential of entering new markets for frozen products, such as ice cream, as well as frozen pastries and pies, in addition to its current work on evaluating several high-growth non-frozen product categories, such as pasta, sauces, condiments and hot breakfast cereals.

4.10.3 Company Plans towards Relying on Renewable Energy

On September 27, 2020, the Company entered into an 11-year solar energy purchase agreement with a local participant whose references are recognized in the renewable energy sector. The solar energy system is expected to enter into service by the end of the Q2 2021G, with a capacity of 1.35 peak hour megawatts, which is equivalent to electric power generated by facilities at about 2.075 GW per hour per year. Furthermore, the project is expected to install 3,528 solar panels on an area of 9,200 square meters, with each panel generating 385 watts. This system is expected to reduce carbon dioxide emissions by up to 38,756 MT per year, and generate about 30% of the branch's electricity consumption. The ownership of this system will be transferred to the Company at the end of the contract term, and the Company intends to employ such a system at remaining branches if it achieves the targeted results.

4.11 Certifications and Awards

The Company has received a multitude of awards since its establishment, with the most prestigious awards including the following:

1978	Medal of Merit, First Class, given by His Majesty King Khalid bin Abdulaziz.
1990	the Queen Elizabeth II Honorary Companion medal in New Zealand
1996	National Order of Merit, with the rank of knight, from the former President of France, Jacques Chirac.
1999	Medal of Honor from Prince Henrik of the Kingdom of Denmark.
2004	Medal of Merit with the rank of Commander from the former President of Brazil, Lula da Silva.
2014	Legion of Honor from the former President of France, Francois Hollande.

Source: Company information

4.12 Administration and Support Functions

The Company operates its business through several different departments and functions managed centrally from its Head Office, as follows:

4.12.1 Supply Chain

The Company's Supply Chain Department is responsible for managing the end to end supply chain process in its entirety, from procurement of products to delivery of products to customers. Department functions provide the Company with full visibility of the movement of products through the supply chain, which facilitates planning and increases efficiency. The Supply Chain department comprises three main teams: the planning team, transportation team and operations team.

4.12.2 Procurement

The Company's Procurement department is responsible for: developing strategic partnerships with suppliers; assessing purchase deals; supporting all departments in the procurement of food supplies; updating the list of preferred suppliers in accordance with supplier evaluations; supporting the introduction of new products or categories; and identifying opportunities to source new products. The department also manages and reviews relationships with suppliers and aims to ensure these relationships are conducted in accordance with the Company's values and are not anti-competitive.

4.12.3 Quality Control

The Company's Quality Control department is responsible for ensuring that quality standards are met for products that are distributed to customers. The department prepares periodic reports to measure quality and product samples are tested to confirm this. The department also supports the development of new products by ensuring quality standards are met and works at improving product quality with suppliers. Random testing procedures are applied during the handling and receiving process of products from suppliers. The department is also responsible for investigating customer complaints regarding the products.

4.12.4 Sales

The sales team is responsible for generating sales forecasts and setting and implementing the Company's pricing and promotions strategy with respect to its products. In doing so, the team takes into account the market positioning of the Company's brands as well as the product features of each product category. The sales team continually monitors market prices and trends and implements appropriate adjustments to retail prices for its products and promotions as and when necessary. The sales team is responsible for coordinating with and receiving orders from customers.

4.12.5 Marketing

The Company's Marketing department is responsible for developing the Company's media sales strategy, which focuses on the consumer experience.

The department develops and follows advertising and marketing campaigns, which take into account the preferences and behaviors of consumers in various regions across Saudi Arabia. The team also works to strengthen and promote the brand image and reputation of the Company and achieves this by engaging with all relevant stakeholders, including suppliers and customers, combining various communication channels, including social media outlets (such as Instagram, Snapchat, Twitter and YouTube). The Company outsources its digital marketing and online media function as well as the production and execution of advertisements.

4.12.6 Support Services

The Company's Support Services department is responsible for handling all administrative and governmental affairs, as well as procuring all materials and equipment that are unrelated to the food product supply. The department also includes the Company's legal function, which prepares and reviews contracts and provides legal support to other departments to mitigate liability and ensure that the Company conducts its business in compliance with applicable laws and regulations.

4.12.7 Finance

The Company's Finance department is primarily responsible for the preparation of the Company's financial statements and performance reports, through the day-to-day recording of the Company's financial transactions. It also includes leading the annual budgeting process and ensuring the adherence of the Company's departments to it over the course of the financial year; identifying sources of capital; managing the cash flow cycle; ensuring timely collection of payments from customers and payments to suppliers; managing the Zakat and Tax affairs with the Zakat, Tax and Customs Authority (ZATCA) . The department also plays a significant role in managing the Company's relationship with banks and insurers, negotiating interest rates, financing terms and insurance policies.

4.12.8 Information Technology

The Company's Information Technology department is responsible for governing, managing, and supporting all information systems and technology, network infrastructure, data security controls, as well as all technical end-user support activities while aligning the business strategic drivers as an enabler of technology with each business unit. This includes identifying and implementing new enterprise wide application systems and initiatives, business process automation tools; provide technical support for systems operations and maintenance; manage cyber security and enterprise architecture activities and provide direction and leadership in promoting and executing long-term Information Technology strategic plans consistent with the company's goals and objectives.

4.12.9 Human Resources

The Company's Human Resources department is responsible for: creating and implementing strategies that emphasize the integrity of the Company with regards to the management of human resources and administration; establishing policies and procedures for the effective management, development and utilization of the Company's human resources; and administration and overseeing the Company's organization structure and job descriptions. The Human Resources department also oversees the setting and review of the Company's overall grading, salary structure, compensation and benefit framework. The department promotes a culture of performance and enablement that encourages the achievement of individual and business objectives and aims to achieve effective recruitment, development and retention of employees.

4.12.10 Internal Audit

The Company's Internal Audit department 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.

4.12.11 Compliance

The Company's Compliance department is responsible for ensuring that the Company adheres to its internal rules as well as Saudi Arabian laws and other rules that apply to the establishment.

4.12.12 Investor Relations

The Company's Investor Relations department is responsible for: representing the Company to investors and presenting investor views and queries to the Company; providing financial information to investors in a timely and accurate way; observing the rules of the Capital Market Authority and Tadawul; and presenting investor feedback to Company management and the Board.

4.13 Business Continuity

There has been no suspension or interruption in the Company's business during the twelve-month period preceding the date of this Prospectus which would affect or have a significant impact on the Company's financial position and no material change in the nature of its or their business is contemplated.

أسماك
asmak

إرثٌ من الـبحـر إلى الـمـائدة
our heritage, from the sea to your table

5. 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 as at the date of this Prospectus.

Figure (5-1): Company structure chart

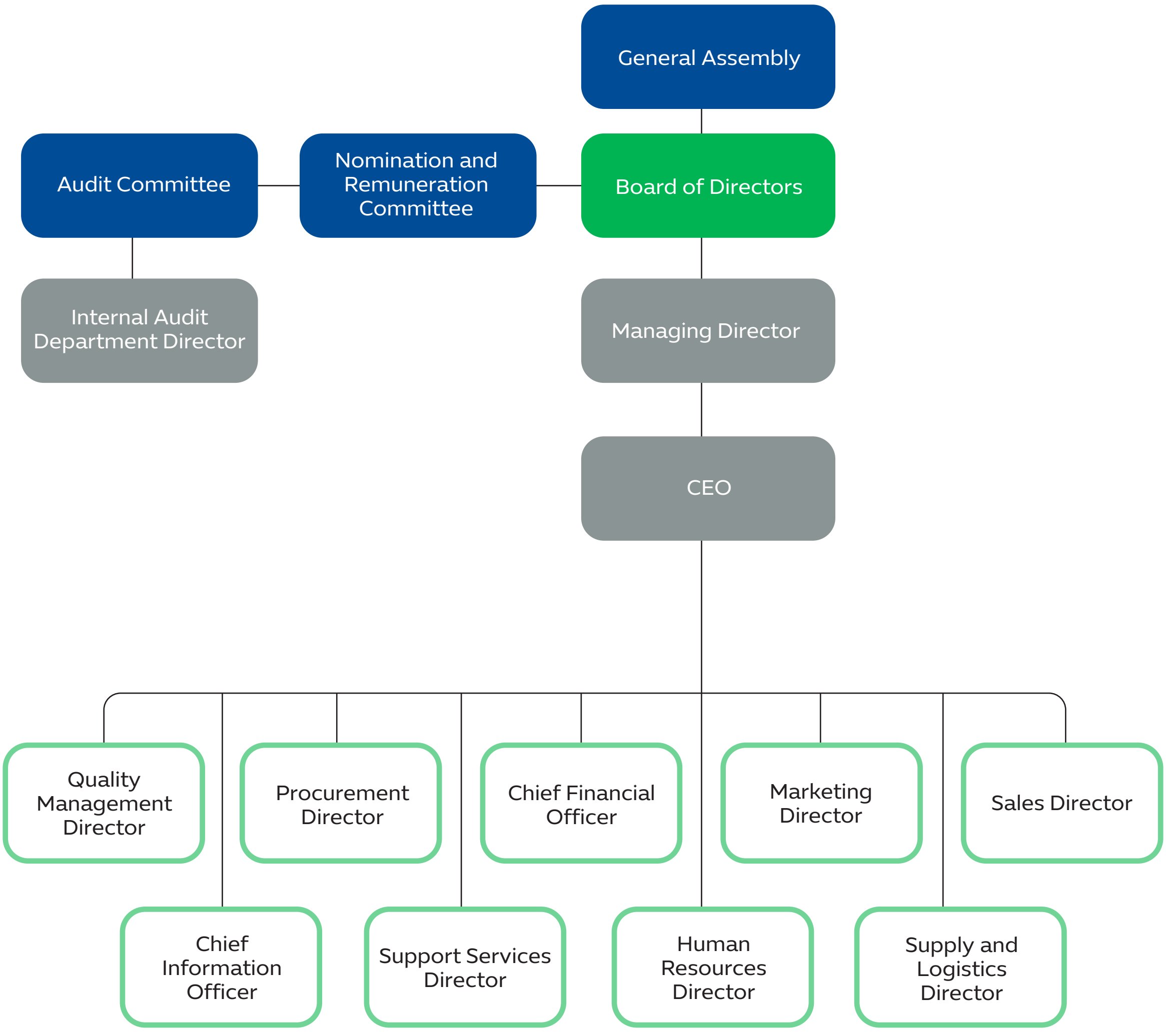


Table (5-1): Direct Ownership in the Company pre and post Offering

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Ownership Percentage	Par Value (SAR)	No. of Shares	Ownership Percentage	Par Value (SAR)
Abdullah Ali Almunajem Sons Company	59,400,000	99%	594,000,000	41,580,000	69.3%	415,800,000
Al-Kafaa Real Estate Company	600,000	1%	6,000,000	420,000	0.7%	4,200,000
Public	-	-	-	18,000,000	30%	180,000,000
Total	**60,000,000**	**100%**	**600,000,000**	**60,000,000**	**100%**	**600,000,000**

Source: The Company

5.1 Board Members and Secretary

5.1.1 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 Prospectus, the Board of Directors is comprised of six (6) Directors.

The following table sets out the names of the Directors as at the date of this Prospectus:

Table (5-2): Company's Board of Directors

No.	Name	Position	Nationality	Status	Date of Appointment	Direct Ownership		Indirect Ownership	
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Saleh Abdullah Ali Almunajem*(1)	Chairman	Saudi	Non-Executive	15/02/2021G	n/a	n/a	14%	8.2%
2	Suliman Abdulrahman Abdullah AlGuwaiz*	Vice Chairman	Saudi	Independent	15/02/2021G	n/a	n/a	n/a	n/a
3	Fahad Abdulmohsen Abdulrahman AlFadley*	Managing Director	Saudi	Executive	15/02/2021G	n/a	n/a	n/a	n/a
4	Hasan Shakib Murad AlJabri	Director	Saudi	Independent	15/02/2021G	n/a	n/a	n/a	n/a
5	Abdullah Omar Abdullah Bawazir	Director	Yemeni	Non-Executive	15/02/2021G	n/a	n/a	n/a	n/a
6	Mohammad Ibrahim AlRowette	Director	Saudi	Non-Executive	15/02/2021G	n/a	n/a	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.

(1) Mr. Saleh Almunajem owns an indirect ownership equal to 14% before the offering as a result of: (1) a direct ownership percentage of 14% in Abdullah Ali Almunajem Sons Company (the Substantial Shareholder), which in turn owns 99% of the Company's shares prior to the offering; And (2) direct ownership of 14% in Al-Kafaa Real Estate Company, which in turn owns 1% of the Company's shares before the offering.

5.1.2 Responsibilities of the Board of Directors

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

5.1.2.1 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. However, it is recommended that the Board of Directors endeavor, as best possible, to avoid issuing general or unlimited powers of attorney.

- Board members shall represent all shareholders, and undertake to implement all matters that are in the public interest of the Company. Members shall 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 shall determine the powers to be delegated to the executive management, the procedures for taking any action, and the validity of such delegation. The Board shall also decide on matters over which the Board of Directors have sole decision-making powers. The executive management shall submit periodic reports to the Board on exercising the delegated powers.

The Board of Directors' main functions are as follows:

- 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.
  - 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 and overseeing internal control systems and regulations:
  - 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.
- 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.
- Developing policies and procedures to ensure that the Company complies with laws and regulations, while remaining committed to disclosing material information to shareholders.
  - 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.
  - 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.

- 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.

5.1.2.2 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 qualifications 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;
- 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.

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, which requires that the relationship between the Managing Director and Chairman be a vital one at all times. For this relationship to be effective, it must be based on mutual cooperation, trust and respect.

The Managing Director should be encouraged to benefit from the Chairman of the Board and urge him to discuss sensitive issues or matters important to the Company on a timely basis. If the working relationship is good, the Managing Director would benefit from the experience of the Chairman by requesting the objective and independent opinion thereof. In light of the results of discussing the issues with the Managing Director, the Chairman may consider the necessity of submitting such issues for study and evaluation by the Board of Directors.

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.

5.1.2.3 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 Senior 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.

5.1.2.4 Secretary

The Secretary of the Board of Directors is responsible for certain tasks, but his main responsibilities entail ensuring that the Board has appropriate means to provide advice and 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. To fulfill his responsibilities and duties, the Secretary of the Board of Directors shall:

- prepare Board meeting calendar;
- assist the Chairman in preparing meeting agendas;
- develop presentations on procedural and substantive issues that are under discussion;
- prepare summaries of Board meeting discussions;
- send notices of Board meetings to all Board members;
- distribute voting ballots to the members of the Board of Director;
- collect the written and completed opinions of Board members, especially those who were not personally present at the meeting; and
- send written opinions to the Chairman of the Board.

In addition thereto, the Secretary of the Board of Directors shall assist in ensuring that Board meeting procedures are followed. Together with the Chairman of the Board, the Secretary of the Board of Directors is required to write down the draft minutes of the Board's meetings and present it to Board members to express their views thereon before signing them. His/her duties further include informing and familiarizing newly appointed members with the following:

- Company procedures that regulate the operations of the Board.
- The organizational structure and managers of the Company.
- The Company's internal documents.
- Resolutions of the annual meetings of the General Assembly and Board.
- Make available the information required by Board members for the appropriate fulfillment of their duties.

5.1.2.5 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.

5.1.3 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.

5.1.3.1 Saleh Abdullah Ali Almunajem

Age:	63 years
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:	• From 2007G to 2021G, General Manager of Almunajem Foods Company, a closed 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 Current Memberships:	• 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 sectors of foodstuffs wholesale and retail, accommodation and food services, manufacturing, general cleaning of buildings, and others. • 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:	• From 1990G to 2006G, procurement and sales director at Almunajem Foods Company, a closed 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 closed 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 closed 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:	• 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.

5.1.3.2 Suliman Abdulrahman AlGwaiz

Age:	64 years
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:	• 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:	• 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 Riyad 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 Riyad 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 Riyad 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:	• 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 Chairman of the Board of Directors pursuant to Board Resolution no. 1, dated 22/02/2021G.

5.1.3.3 Fahad Abdulmohsen Abdulrahman AlFadley

Age:	48 years
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 foodstuffs wholesale and retail, accommodation and food services, manufacturing, general cleaning of buildings, and other industries.
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:	• From 2013G to 2017G, Chief Executive Officer of Almunajem Foods Company, a closed 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 Chairman of the Board of Directors pursuant to Board Resolution no. 1, dated 22/02/2021G.

5.1.3.4 Hasan Shakib Murad AlJabri

Age:	60 years
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:	• 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:	• 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:	• 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 in services of management, custody, arrangement, advice, underwriting and dealing as principal and agent in securities.

5.1.3.5 Abdullah Omar Abdullah Bawazir

Age:	51 years
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 foodstuffs wholesale and retail, accommodation and food services, manufacturing, general cleaning of buildings, and other industries.
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:	• From 2010G to 2013G, Chief Financial Officer at Almunajem Foods Company, a closed 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.

5.1.3.6 Mohammad bin Ibrahim bin Abdulrahman AlRowette

Age:	49 years
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:	• 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:	• 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.
Previous Memberships:	• From 2010G to 2012G, vice president of the marketing committee in the Riyadh Chamber.

5.1.3.7 Ghaith bin Shuail bin Saleh AlOtaibi

Age:	28 years
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.

5.2 Board Committees

The Company shall establish 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:

5.2.1 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:

1. Nominating individuals qualified to become Board members.
2. Conducting an annual review of Board membership requirements, which shall include the candidates' capabilities, experience and availability to fulfil their Board responsibilities.
3. Reviewing the structure of the Board and recommend amendments that serve the Company's best interests.
4. Determining the strengths and weaknesses of the Board of Directors and proposing the required amendments that serve the Company's best interests.
5. 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.
6. Reviewing the policies and procedures for approving the Board of Directors prior to adoption by the General Assembly.
7. Monitoring the independence of independent Board members and monitoring any conflicts of interest, on an annual basis.
8. Reviewing the preparatory materials and training courses for new Board members.
9. Establishing clear policies regarding the remuneration of managers and Senior Executives.
10. Reviewing and proposing plans for the assumption of key executive functions.
11. 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.
12. 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.
13. 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:

1. All members of the committee shall be non-executive members of the Board of Directors, provided that they include at least one independent member.
2. The Chairman of the committee shall be an independent member.
3. The Chairman of the Board of Directors shall not also occupy the position of Chairman of the committee.

4. 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.

Table (5-3): Nomination and Remuneration Committee Members

	Name	Title
1	Hasan bin Shakib bin Murad AlJabri	Chairman
2	Abdullah Omar Abdullah Bawazir	Member
3	Mohammad bin Ibrahim bin Abdulrahman AlRowette	Member

Source: The Company

The following is a brief overview of the members of Nomination and Remuneration Committee:

5.2.1.1 Hasan bin Shakib bin Murad AlJabri

Please refer to Section 5.1.3.4.

5.2.1.2 Abdullah Omar Abdullah Bawazir

Please refer to Section 5.1.3.5.

5.2.1.3 Mohammad bin Ibrahim bin Abdulrahman AlRowette

Please refer to Section 5.1.3.6.

5.2.2 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:

1. 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.
2. 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.
3. Analyzing any important or non-familiar issues contained in the financial reports.
4. 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.
5. Examining the accounting estimates in respect of significant matters that are contained in the financial reports.
6. Examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.
7. Studying and reviewing the Company's internal and financial control and risk management systems.
8. Reviewing internal audit reports and follow up on the implementation of corrective measures in respect of the remarks made in such reports.
9. 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.
10. 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.

11. 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.
12. Verifying the external auditors' independence, objectivity and fairness, and the effectiveness of audit work, taking into account relevant rules and standards.
13. 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.
14. Responding to the queries of the Company's external auditors.
15. Reviewing the external auditors' report and notes on the financial statements and follow up on actions taken in their regard.
16. Reviewing the findings of the supervisory authorities' reports and ensuring that the Company has taken the necessary measures in that regard.
17. Verifying the Company's compliance with relevant laws, regulations, policies and instructions.
18. Reviewing the contracts and the Related Party Transactions and providing its recommendations in this regard to the Board of Directors.
19. 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.
20. 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.

Table (5-4): Audit Committee Members

	Name	Title
1	Suliman Abdulrahman AlGwaiz	Chairman
2	Hasan bin Shakib bin Murad AlJabri	Member
3	Abdullah Omar Abdullah Bawazir	Member

Source: The Company

The following is a brief overview of the members of the Audit Committee:

5.2.2.1 Suliman Abdulrahman AlGwaiz

Please refer to Section 5.1.3.2

5.2.2.2 Hasan bin Shakib bin Murad AlJabri

Please refer to Section 5.1.3.4

5.2.2.3 5.2.2.3 Abdullah Omar Abdullah Bawazir

Please refer to Section 5.1.3.5

5.3 Senior Management

5.3.1 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:

Table (5-5): Senior Management Details

No.	Name	Position	Date of Appointment at Current Position	Nationality	Age	Number of Shares held Pre-Offering	Number of Shares Post-Offering	Indirect Ownership	
								Pre-Offering	Post-Offering
1	Eng. Thamer bin Abdulaziz Abanumay	Chief Executive Officer	01/08/2017G	Saudi	47	N/A	N/A	N/A	N/A
2	Assim Mohammed Al Attas	Chief Financial Officer	26/10/2013G	Yemeni	37	N/A	N/A	N/A	N/A
3	Mohammed Ali Almunajem	Support Services Director	01/11/2010G	Saudi	53	N/A	N/A	N/A	N/A
4	Mazen Abdul Ghani El Danab	Procurement Director	15/07/2014G	Lebanese	47	N/A	N/A	N/A	N/A
5	Mustapha Mohsen Fawaz	Sales Director	01/10/2014G	Lebanese	47	N/A	N/A	N/A	N/A
6	Ali Fayez Khreis	Supply Chain & Logistics Director	02/11/2014G	Lebanese	36	N/A	N/A	N/A	N/A
7	Majed Mohammed Al Bakheet	Human Resources Director	01/03/2015G	Saudi	43	N/A	N/A	N/A	N/A
8	Mohamed Attia Mohamed Abdelhady	Quality Management Director	22/06/2011G	Egyptian	46	N/A	N/A	N/A	N/A
9	Mazen Abdulwahed	Internal Audit Department Director	14/02/2016G	Canadian	46	N/A	N/A	N/A	N/A
10	Rabih Bouzeineddine	Chief Information Officer	22/09/2007G	Canadian	59	N/A	N/A	N/A	N/A

Source: The Company

5.3.2 Biographies of Senior Executives

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

5.3.2.1 Thamer bin Abdulaziz Abanumay

Age:	47 years
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.

Previous Executive Positions:	• 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 and Previous Memberships:	• 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.

5.3.2.2 Assim Mohammed Al Attas

Age:	37 years
Nationality:	Yemeni
Current Position:	Chief Financial Officer
Appointment Date:	26/10/2013G
Academic Qualifications:	• 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:	• 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, healthcare 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:	• 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.

5.3.2.3 Mohammed Ali Almunajem

Age:	53 years
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:	• From 2004G to 2010G, director of administrative affairs and human resources at Almunajem Foods Company, a closed 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 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. • 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.

5.3.2.4 Mazen Abdul Ghani El Danab

Age:	47 years
Nationality:	Lebanese
Current Position:	Procurement Director
Appointment Date:	15/07/2014G
Academic Qualifications:	• 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:	• From 2012G to 2014G, sales manager of direct distribution, wholesale and food services departments at Almunajem Foods Company, a closed 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 closed 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 closed 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 closed 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.

5.3.2.5 Mustapha Mohsen Fawaz

Age:	47 years
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:	• From 2014G to 2013G, sales director for the supermarkets and direct distribution divisions at Almunajem Foods Company, a closed 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 closed 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.

5.3.2.6 Ali Fayez Khreis

Age:	36 years
Nationality:	Lebanese
Current Position:	Supply Chain & Logistics 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:	• From 2013G to 2014G, director of warehouse operations at Almunajem Foods Company, 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. • From 2011G to 2013G, deputy director of warehouse operations at Almunajem Foods Company, a closed 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 closed 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.

5.3.2.7 Majed Mohammed Al Bakheet

Age:	43 years
Nationality:	Saudi
Current Position:	Human Resources Director
Appointment Date:	01/03/2015G
Academic Qualifications:	• 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:	• From 2014G to 2015G, director of human resources operations at Almunajem Foods Company, a closed 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.

5.3.2.8 Mohamed Attia Mohamed Abdelhady

Age:	46 years
Nationality:	Egyptian
Current Position:	Quality management director
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:	• From 2004G to 2011G, department head in the quality team at Almunajem Foods Company, a closed 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 closed 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.

5.3.2.9 Mazen Abdulwahed

Age:	46 years
Nationality:	Canadian
Current Position:	Internal Audit Department Director
Appointment Date:	14/02/2016G
Academic Qualifications:	• Bachelor's degree in Commerce from Beirut Arab University in Lebanon in 1996G.
Professional Qualifications:	• Chartered Global Management Accountant, USA, 2014G. • Certified Fraud Detection Specialist, USA, 2013G. • Certified Internal Auditor Certificate, USA, 2013G. • Certified Public Accountant Certificate, USA, 2004G.
Previous Executive Positions:	• From 2013G to 2016G, principal in the consulting services department at Ernst & Young, 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 Shukri & C. Consultants 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 cards 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, controller at the development unit of Beirut Riyad Bank, a private financial company with limited liability, established in Lebanon, and operating in the banking services sector.

5.3.2.10 Rabih Bouzeineddine

Age:	59 years
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:	• 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.

5.3.3 Employment Contracts with Senior Executives

The Company concluded fixed-term employment contracts with all the Senior Executives of the Company. These contracts stipulate their salaries and bonuses according to their qualifications and experience. These contracts include a number of benefits such as a monthly allowance for transportation or housing allowance or both. These contracts are renewable and subject to the Saudi Labor Law.

Eng. Thamer bin Abdulaziz Abanumay assumed the post of Company CEO in 2017G under an employment contract concluded between him and the Company. One of the CEO's responsibilities is to develop and monitor the Company's financial and operational performance in general, develop and implement the Company's strategy, and implement the Company's annual business plans as approved by the Board of Directors.

Assim Mohammed AlAttas is the Chief Financial Officer under an employment contract concluded between him and the Company, and the following is a summary of the duties and responsibilities of the Chief Financial Officer:

- Assisting the senior management in formulating goals, contributing to drawing up the strategic plan and general policies, and participating in decisions that concern the Company as a whole.
- Issuing the Company's financial statements and reports relating to the Company's profits.
- Managing the Company's treasury and organizing cash flows.
- Preparing the Company's annual budget and monitoring the implementation thereof.
- Providing suggestions for the development of the financial and structural organization of the Company.

Below is a brief summary of the employment contracts concluded with members of the Company's Senior Management:

Table (5-6): Summary of Employment Contracts with Senior Executives

No.	Name	Position	Date of Appointment at Current Position	Contract Date*	Contract End Date
1	Eng. Thamer bin Abdulaziz Abanumay	Chief Executive Officer	01/08/2017G	17/06/2020G	Indefinite contract
2	Assim Mohammed Al Attas	Chief Financial Officer	26/10/2013G	11/06/2020G	25/10/2021G (automatically renewed)
3	Mohammed Ali Almunajem	Support Services Director	01/11/2010G	17/06/2020G	Indefinite contract
4	Mazen Abdul Ghani El Danab	Procurement Director	15/07/2014G	11/06/2020G	31/07/2022G (automatically renewed)
5	Mustapha Mohsen Fawaz	Sales Director	01/10/2014G	25/06/2020G	03/04/2022G (automatically renewed)
6	Ali Fayez Khreis	Supply Chain & Logistics Director	02/11/2014G	29/09/2020G	09/09/2021G (automatically renewed)
7	Majed Mohammed Al Bakheet	Human Resources Director	01/03/2015G	01/08/2014G	Indefinite contract
8	Mohamed Attia Mohamed Abdelhady	Quality Management Director	22/06/2011G	14/10/2020G	07/07/2021G (automatically renewed)
9	Mazen Abdulwahed	Internal Audit Department Director	14/02/2016G	14/02/2021G	13/02/2022G (automatically renewed)
10	Rabih Bouzeineddine	Chief Information Officer	22/09/2007G	01/02/2021G	31/01/2022G (automatically renewed)

Source: The Company

* This date corresponds to the most recent employment contract date.

5.4 Remuneration of Directors and Senior Executives

Pursuant to the Company's Bylaws, remunerations of Board Directors shall be determined by the Ordinary General Assembly, in accordance with the official decisions and instructions issued in this regard and within the limits stipulated in the Companies Law and regulations thereof. Such remuneration may consist of a specific amount or an attendance and transportation 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.

No in-kind benefits have been paid to Board members and Senior Executives. The following table details the remunerations of the Board of Directors and the top five Senior Executives (including the CEO, the CFO, the Support Services Director, the Information Technology Director and the Sales Director) for the financial years ended 31 December 2018G, 31 December 2019G and 31 December 2020G and the period ended 31 March 2021G.

Table (5-7): Remuneration Paid to Directors and Senior Executives

In SAR	FY2018G	FY2019G	FY2020G	Period ended 31 March 2021G
Members of the Board of Directors*	0	0	0	0
Senior Management (5 employees)	4,743,745	4,836,702	4,800,449	1,326,694

Source: The Company

* The Company did not have a Board of Directors prior to its conversion from a limited liability company to a closed joint stock company on 31 December 2020G, and was managed by two managers. The table details the remuneration of these two managers.

5.5 Corporate Governance

5.5.1 Overview

The key sources of corporate governance for the Company are the Corporate Governance Regulations issued by the CMA, certain provisions of the Companies Law and corporate governance best practice in the Kingdom.

The framework under the Corporate Governance Regulations 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 Corporate Governance Regulations shall apply to the Company from the date of Listing. However, the Company is currently complying with the majority of the Corporate Governance Regulations and will fully comply with the Corporate Governance Regulations from the date of Listing. The Company considers ongoing compliance with these regulations to be an important factor in its continued success.

5.5.2 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:

- General shareholder rights (Articles 4 to 9);
- Rights relating to General Assembly Meetings (Articles 10 to 15);
- The Board of Directors: formation, responsibilities, competencies, procedures and training (Articles 16 to 41);
- Conflicts of interest (Articles 42 to 49);
- Company committees (Articles 50 to 72); and
- Internal controls, external auditors, company reports and policies, and various other matters (Articles 73 to 98).

5.5.3 Corporate Governance Manual and Internal Policies

As part of the preparations for the Company to become a public listed company, 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:

- Board of Directors' membership policies and procedures;
- Conflict of interest regulation policy;
- Insider trading policy;
- Board of Directors committee principles and policies;
- monitoring, assessment, internal and external audit and internal control policies;

- General Assembly policies;
- dividend distribution policy;
- Shareholder communication policies;
- disclosure and transparency policies;
- Audit Committee charter;
- Nomination and Remuneration Committee charter; and
- Corporate social responsibility policy.

5.5.4 Corporate Governance Compliance

The Board of Directors declare that the Company is currently complying with the majority of the Corporate Governance Regulations and will fully comply with the Corporate Governance Regulations from the date of Listing.

In particular, a majority 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).

The Company currently complies with the mandatory governance requirements that apply to Saudi public joint stock companies, excluding some provisions mandatory only with respect to listed companies, which the Company is not currently in compliance as the Company's shares are not currently listed on the Exchange, as follows:

- Paragraph (a) of Article (8) providing that upon calling for the General Assembly, the Company shall announce on the Exchange's website information about the nominees for the membership of the Board.

- Paragraph (c) of Article (8) providing that voting in the General Assembly shall be confined to the Board nominees whose information have been announced as per paragraph (a) of Article (8).
- Paragraph (d) of Article (13) providing that the invitation to the General Assembly shall be published on the Exchange's, the Company's websites and in a daily newspaper published in the area where the Company's head office is located.
- Paragraph (c) of Article (14) providing that the shareholders shall be allowed through the Company's website and the Exchange's website to obtain the information related to the items of the General Assembly's agenda, and to obtain the information related to the items of the General Assembly's agenda, particularly the reports of the Board and the external auditor, the financial statements and the Audit Committee's Report.
- Paragraph (e) of Article (15) providing that the Company shall announce to the public and inform the Authority and the Exchange of the results of a General Assembly meeting immediately following its conclusion.
- Paragraph (d) of Article (17) providing that the Company shall notify the Authority of the names of the Board members and description of their memberships, as well as any changes that may affect their membership, within 5 working days from such changes.
- Paragraph (b) of Article (19) providing that upon the termination of the membership of a Board member, the Company shall promptly notify the Authority and the Exchange and shall specify the reasons for such termination.
- Paragraphs (a) and (b) of Article (57) providing that audit committee shall convene periodically, provided that at least four meetings are held during the Company's financial year, and shall convene periodically with the Company's external auditor and internal auditor, if any.
- Article (63) providing that the Remuneration Committee shall convene periodically at least once a year, and as may be necessary.
- Article (67) providing that the nomination committee shall convene periodically at least once a year, and as may be necessary.
- Article (68) providing that the Company shall publish the nomination announcement on the websites of the Company and the Exchange to invite persons wishing to be nominated to the membership of the Board, provided that the nomination period shall remain open for at least a month from the date of the announcement.

5.6 Conflict of Interest

Neither the Company's Bylaws nor any of the Company's internal regulations and policies grant any Director or the CEO the power to vote on any contract or proposal in which he has a direct or indirect interest, in accordance with Article 71 of the Companies Law which states that a member of the board of directors should not have any interest whether directly or indirectly, in the transactions or contracts made for the account of the company, except with an authorization from the Ordinary General Assembly.

Pursuant to Article 71 of the Companies Law, a member must inform the Board of Directors of any interest he may have in the transactions or contracts made for the account of the Company. The Chairman of the Board of Directors shall inform the Ordinary General Assembly, when it convenes, of the transactions and contracts in which any member has an interest. Such communication shall be accompanied by a special report from the auditor. Such declaration must be recorded in the minutes of the Board meeting, and the interested member shall not participate in voting on the resolution to be adopted in this respect.

Based on the foregoing, the Directors undertake to comply with the following:

- Complying with the provisions of Articles 71, 72, 73, 74, and 75 of the Companies Law and Articles 44 and 46 of the Corporate Governance Regulations.
- Refraining from voting on General Assembly resolutions pertaining to contracts entered into with the Company where the Director has a direct or indirect interest in such contract.
- Avoiding participating in any business that competes with that of the Company, unless such member has authorization from the Ordinary General Assembly.
- All Related Party transactions will be made on an arm's length basis in accordance with the terms of the Corporate Governance Regulations.

The Board of Directors declare that none of their members, or Senior Executives or Current Shareholders have a conflict of interest in relation to the agreements or arrangements entered into with the Company, except as disclosed in Section 5.1 ("**Board Members and Secretary**"), Section 5.3 ("**Senior Management**") and Section 12.7 ("**Related Party Transactions**"). Furthermore, the Board declares that they have not engaged in any similar or competing activities to those of the Company.

As of the date of this Prospectus, no arrangements are in place through which the Board of Directors, Senior Executives, Current Shareholders or any of their Relatives hold or may hold direct or indirect interests, in addition, none of the arrangements in place are based on inappropriate commercial terms.

Additionally, as of the date of this Prospectus, the Board of Directors are not engaging in any similar or competing activities to the Company's.

دوف
جودة فرنسية منذ عام ١٩٣٣
... ونِعمَ التربية
حلال
DOUX
Griller Chicken
4 CHICKEN STEAKS
6 Chicken Burgers
12 BREADED CHICKEN BURGERS
CHICKEN NUGGETS
10 Chicken Franks
Smoked flavour
Garlic ثوم
Original
Cheese جبنة
HOT & SPICY
Smoked مدخنة
Turkey Franks
نقانق ديك رومي
نقانق دجاج

6. Management's Discussion and Analysis of Financial Position and Results of Operations

6.1 Introduction

This section presents an analytical review of Almunajem Foods Company's (the "Company") operational performance and financial position during the financial years ended 31 December 2018G, 2019G and 2020G, and the three-month periods ended 31 March 2020G and 2021G.

This section is based on the financial statements of the Company and for the financial years ended 31 December 2018G, 2019G and 2020G, and the three-month periods ended 31 March 2020G and 2021G, which have been prepared in accordance with IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA and have been audited by Ernst & Young & Co. (Certified Public Accountants) (the "Auditors") as stated in the issued reports.

Neither the Auditors nor any of their affiliates, employees or their relatives have any shareholding or interest of any kind in the Company, which would impair their independence. As of the date of this Prospectus, the Auditors have furnished and not withdrawn their written consent to the reference to their role as Auditors of the Company for the financial years ended 31 December 2018G, 2019G and 2020G, and the three-month periods ended 31 March 2020G and 2021G.

This section contains certain forward-looking statements in connection with the Company's future prospects, based on the Executive Management's current plans and expectations regarding the Company's growth, results of operations and financial conditions, and therefore such statements may involve risks and unconfirmed expectations. Actual results of the Company could differ materially from those expressed or implied by these expectations, as a result of various factors and future events, including factors discussed in this Section or elsewhere in this Prospectus, particularly those set out in Section 2 (Risk Factors).

The figures in this section have been rounded up to the nearest thousand in Saudi Riyals. As such, if summed, the numbers may differ to those which are stated in the tables. Subsequently, all annual percentages, margins, expenses are based on the rounded figures.

6.2 Director's declaration for financial information

The Company's Board of Directors declare the following:

1. The Board of Directors acknowledges that the financial information contained in this Section is based on the financial statements of the Company for the financial years ended 31 December 2018G, 2019G and 2020G, and the three-month periods ended 31 March 2020G and 2021G, which have been prepared in accordance with the IFRS approved in the Kingdom and other standards and publications issued by SOCPA.
2. The Board of Directors declares that the Company has working capital sufficient for a period of at least 12 months immediately following the date of publication of the Prospectus.
3. The Board of Directors declares that there has been no material adverse change in the Company's financial or business position in the three financial years immediately preceding the application for registration and offer of securities that are subject of this Prospectus and the period covered in the Auditors' Report up to the date of approval of the Prospectus.
4. 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.
5. The Board of Directors confirms that no commissions, discounts, brokerage fees or non-cash compensations were given by the Company to any of the Board members or Senior Executives or those offering securities or experts, in the three years immediately preceding the date of submission of its application for registration and offer of securities.
6. Except as disclosed in note 20 of the financial statements for the three-month period ended 31 March 2021G (please refer to Section 12.8 "Financial Statements and Auditor's reports") of this Prospectus, the Board of Directors declares that the Company does not have any borrowing or indebtedness, including bank overdrafts, liabilities under acceptance, acceptance credits or lease purchase commitments.
7. The Board of Directors declares that as of the date of this Prospectus, the Company does not have any mortgages, or charges on its properties.
8. The Board of Directors confirms that the Company's capital is not under option.

9. The Board of Directors declares that the Company is not aware of any information related to government policies, or economic, financial or political circumstances that could have a material impact on the Company's performance directly or indirectly.

6.3 Company overview

Almunajem Foods Company (the "**Company**") is a subsidiary of Abdullah Ali Almunajem Sons Company (the "**Substantial Shareholder**"), a Saudi closed joint stock company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010000565 dated 11/11/1376H (corresponding to 10 June 1957G). The registered address of the Substantial Shareholder is located in Riyadh, PO Box 1544, Riyadh 11441, Kingdom of Saudi Arabia.

On 11 October 2020G, the shareholders decided to offer the Company's shares for an initial public offering.

6.4 Summary of accounting policies

The following are the 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 realize 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 realize 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 categorized 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 recognized 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 categorization (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 partner, 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 meat, bottled, food stuff. Revenue from contracts with customers is recognized 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 recognized 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 recognized 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 transaction price and recognized as revenue. A refund liability is recognized for the goods that are expected be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of revenues) is also recognized 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 recognized 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.

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 fixtures	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.

Leases

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.

i. Right-of-use 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

ii. Lease liabilities

At the commencement date of the lease, the Company recognizes 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.

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.

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.

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 intending 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 3 - 10 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 market place (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 amortised cost (debt instruments)

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

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

Bank balances and cash

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of 30 to 45 days or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Trade receivable and other current financial assets

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

ii. Financial liabilities

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, other payables, loans and borrowings, lease liabilities, due to a partner and due to related parties. At 31 December 2020, all the Company's financial liabilities are classified at amortised cost.

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 and due to a partner

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

Loans and borrowings

Loans and borrowings are measured at amortized cost and comprise of short-term loans.

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 that have been shipped by a supplier but have not yet been received by the buyer. The Company recognizes goods-in-transit when the shipment reached the destination (which is generally Saudi Arabian ports) in accordance with the terms of arrangement with suppliers and all the related costs of shipment (cost, insurance and freight) is borne by suppliers. Goods-in-transit are recorded at landed cost.

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 asset's 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

Zakat is calculated and provided for by Abdullah Ali Almunajem Sons Company (Substantial Shareholder) 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 is charged to its statement of profit or loss and other comprehensive income in Zakat based on allocation by the Substantial Shareholder. For any assessment that may arise in the future related to the years from 2008 until 2020, will be settled by the Substantial Shareholder.

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 Partners when approving the distribution. According to the Saudi Arabian Regulations for Companies, dividends are approved upon approval by the Partners. The corresponding amount is directly recognized in equity.

Employees' defined benefit obligations

Short-term obligations

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

Post-employment obligation

Defined benefit plans:

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

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

DBO costs for periods are calculated on a year-to-date basis using the actuarially determined plan cost rate at the end of the prior year, adjusted for significant market fluctuations and for any significant one-off events, such as plan amendments, curtailments and settlements. In the absence of such significant market fluctuations and one-off events, the actuarial liabilities are rolled forward based on the assumptions as of 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.

6.5 Principal factors affecting the Company's performance and operations

6.5.1 Economic factors

The Company operates in an industry that is impacted by the economic conditions in the Kingdom of Saudi Arabia and in the countries that it imports its products from. These in turn have an impact on consumers' purchasing power and on producers' supply. Changes in economic conditions will have an impact on spending, the Company's ability to obtain financing, the cost of labour, commodity price changes, consumer confidence, and general stability in those countries. Consequently, this may change consumers behaviour with respect to the Company's products or product categories.

In the event of any change in economic conditions, competitors may resort to practices that could increase competition in the sector, which would negatively affect the Company's operations, financial performance, and future prospects.

6.5.2 Seasonality impact

The products that the Company imports are subject to seasonal fluctuations, as the quantities of the imported products depend on the suppliers' capabilities. During adverse weather conditions (such as floods and droughts), diseases and epidemics, the production process and the supply chain may be negatively impacted, affecting the quantities that suppliers can supply and the cost of purchased goods.

In addition to other factors caused by fluctuations and changes in demand for the Company's products during certain seasons, such as the month of Ramadan, Eid al-Fitr, and Eid al-Adha, whereas sales are expected to increase during these seasons in comparison with the rest of the months due to increased demand, especially in the period before Ramadan, in contrast to the lower demand witnessed during the summer vacation period. Therefore, seasonal fluctuations are one of the factors that may affect the Company's operations and financial performance. (For more information, see Section 2.1.39 of the Risk Factors.)

6.5.3 Selling prices

The financial performance of the Company depends to a large extent on its competitiveness in the market of the Kingdom of Saudi Arabia, which in turn depends to a large extent on the prices of the products offered by the Company. The prices of the Company's products fluctuate according to the change in their costs, which includes, but is not limited to, suppliers' prices, shipping costs and other product-related costs, and/or market conditions for each product. The increase in the purchase price of products from suppliers may negatively affect the Company's profit margin if the Company is not able to raise the selling price of its products or cover the deficit by reducing other costs, and therefore this may affect the Company's operations, and financial performance. For example, large quantities of Ukrainian chicken flowed into the market during the last quarter of 2020G to an extent that exceeded market demand, which, despite bridging the supply gap stemming from the ban on Brazilian chicken, led to a decrease in the sold quantities of poultry for the Company from 31,161 metric tons in the three-month period ended on 31 March 2021G to 28,172 metric tons in the three-month period ending on 31 March 2021G in addition to lower prices. (For more information, see Section 2.1.32 of the Risk Factors).

6.5.4 COVID-19 pandemic

The Company's primary activity is the import and sale of food products, as the Company mainly imports these products from overseas suppliers. The Company's financial and operational results depend on its ability to import and supply products from international markets. During the fiscal year 2020G, and in light of the COVID-19 pandemic, travel restrictions and curfews were imposed across the globe. The Company may face difficulties in supplying its products should the pandemic continue, as the supply-chain includes companies in various regions and countries that may enforce restrictive measures which could disrupt the Company's supply chain. It is worth noting that it is difficult to assess the extent or duration of the COVID-19 pandemic on the Company's operations, as it may have a long-term impact.

Notwithstanding, during the fiscal year 2020G, the Company's results were not significantly affected during the lockdown period (which the Kingdom of Saudi Arabia witnessed between March and June of the same year). Instead, the mix of sales channels during the same period shifted to retail sales as a result of increased buying by consumers, while sales of the food service channel decreased as a result of the periods due to closed restaurants resulting from the precautionary measures imposed at the time. Revenues for the fiscal year 2020G amounted to SAR 2,538.5 million, achieving a growth of 4.9% compared to the same period in the fiscal year 2019G, which was driven by the increase in the average selling price of products, as the Company reduced promotional offers in supermarkets during the same period. The Company's net income improved from SAR 109.2 million in 2019G to SAR 229.7 million in 2020G. Net income decreased from SAR 75.7 million in the three-month period ending on 31 March 2020G to SAR 29.5 million in the three-month period ending on 31 March 2021G.

It is not possible to assess the implications of the COVID-19 pandemic with any certainty, either in terms of how long they may last or more specifically in terms of its impact on the Company's operations. In the long term, it may include negotiating new prices with customers and/or suppliers, changes in customer and end-consumer behaviour with respect to certain products, or other fundamental changes in the Company's business model that could affect its profitability. (For more information, see Section 2.1.15 of the Risk Factors).

6.5.5 The Company's reliance on Key Suppliers

The Company has supply and distribution contracts with four out of ten Key Suppliers (for more information please see Section 4,8.4 ("**Suppliers**"), and Table 4-11 ("**The Company's Key Suppliers**"), three of them contain provisions for automatic renewal, and all contracts include the Company's right to replace any defective or damaged products by the suppliers upon examination. In the event that any of the Key Suppliers terminates a supply agreement with the Company or refuses to renew it, or if it renews the agreement on terms that are not favourable to the Company, this could adversely affect its operations, financial performance and future prospects (for more information, refer to Section 2.1.2 of the Risk Factors).

6.6 Operating results

The following table shows the Company's statement of profit and loss and other comprehensive income for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G:

6.6.1 Income statements

Table (6-1): Statement of profit and loss and other comprehensive income for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G.

SAR in thousands	Fiscal year 2018G (Audited)	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Reviewed)	Three-month period ending 31 March 2021G (Reviewed)	31 March 2020G-2021G Variance
Revenue	2,497,345	2,419,060	2,538,454	(3.1%)	4.9%	0.8%	687,579	628,055	(8.7%)
Cost of revenue	(2,085,476)	(2,084,410)	(2,054,327)	(0.1%)	(1.4%)	(0.7%)	(549,468)	(530,615)	(3.4%)
Gross profit	**411,869**	**334,651**	**484,127**	**(18.7%)**	**44.7%**	**8.4%**	**138,110**	**97,440**	**(29.4%)**
Selling and distribution expenses	(207,241)	(203,491)	(225,860)	(1.8%)	11.0%	4.4%	(53,484)	(57,276)	7.1%
General and administrative expenses	(20,253)	(21,728)	(23,007)	7.3%	5.9%	6.6%	(5,310)	(4,965)	(6.5%)
Depreciation of right-of-use assets	-	(5,405)	(7,813)	0.0%	44.5%	0.0%	(1,691)	(1,909)	12.9%
Operating income	**184,375**	**104,026**	**227,447**	**(43.6%)**	**118.6%**	**11.1%**	**77,626**	**33,290**	**(57.1%)**
Other revenue (expenses), net	(22,612)	17,449	14,338	(177.2%)	(17.8%)	-	1,216	488	(59.8%)
Financing costs	(6,847)	(9,530)	(4,871)	39.2%	(48.9%)	(15.7%)	(1,366)	(738)	(46.0%)
Income before Zakat for the year / period	154,916	111,945	236,914	(27.7%)	111.6%	23.7%	77,475	33,040	(57.4%)
Zakat	(5,441)	(2,780)	(7,235)	(48.9%)	160.2%	15.3%	(1,809)	(3,577)	97.7%
Income for the year / period	**149,475**	**109,165**	**229,679**	**(27.0%)**	**110.4%**	**24.0%**	**75,667**	**29,464**	**(61.1%)**
Remeasurement of employee defined benefit liabilities	1,900	(3,842)	(2,239)	(302.2%)	(41.7%)	-	-	-	-
Total comprehensive income for the year / period	**151,375**	**105,322**	**227,440**	**(30.4%)**	**115.9%**	**22.6%**	**75,667**	**29,464**	**(61.1%)**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the reviewed financial statements for the three-month period ending 31 March 2020G and 2021G.

Table (6-2): Key performance indicators for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G.

SAR in thousands	Fiscal year 2018G (Audited)	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Reviewed)	Three-month period ending 31 March 2021G (Reviewed)	31 March 2020G-2021G Variance
Returns	77,423	72,724	77,632	(6.1%)	6.7%	0.1%	18,351	19,755	7.6%
Returns as a percentage of total revenue	2.9%	2.8%	2.8%	(0.1)	0.1	(0.0)	2.5%	2.9%	0.4
Discounts	107,123	128,545	120,669	20.0%	(6.1%)	6.1%	40,936	45,470	11.1%
Discounts as a percentage of total revenue	4.0%	4.9%	4.4%	0.9	(0.5)	0.4	5.5%	6.6%	1.1
Number of branches	13	13	13	-	-	-	13	13	-
Number of factories	1	1	1	-	-	-	1	1	-
Number of customers	18,465	18,077	17,737	(388)	(340)	(728)	16,573	17,331	758
Storage revenue from related-parties	1,357	3,307	1,858	143.7%	(43.8%)	17.0%	498	530	6.4%
Storage revenue from third-parties	2,511	4,501	5,245	79.3%	16.5%	44.5%	1,097	1,104	0.6%
Storage rental revenue as % of total revenue	0.2%	0.3%	0.3%	0.2%	(0.0)	0.1	0.2%	0.3%	0.1
As a percentage of revenue									
Gross profit	16.5%	13.8%	19.1%	(2.7)	5.2	2.6	20.1%	15.5%	(4.6)
Selling and distribution expenses	8.3%	8.4%	8.9%	0.1	0.5	0.6	7.8%	9.1%	1.3
General and administrative expenses	0.8%	0.9%	0.9%	0.1	-	-	0.8%	0.8%	-
Operating income	7.4%	4.3%	9.0%	(3.1)	4.7	1.6	11.3%	5.3%	(6.0)
Income for the year / period	6.0%	4.5%	9.0%	(1.5)	4.5	3.1	11.0%	4.7%	(6.3)
Total comprehensive income for the year / period	6.1%	4.4%	9.0%	(1.7)	4.6	2.9	11.0%	4.7%	(6.3)

Source: Management information.

Revenue

The Company's revenue comprises of food products sales (99.7%) and storage rental revenue from warehouses (0.3%) in 2018G, 2019G, and 2020G. Storage rental revenue is derived from renting warehouse space in cold stores and storage in the Company's cold stores, whereas product revenue pertains to five main categories (and 14 subcategories):

- Red and white meat represented circa 61% of total revenue in 2018G, 2019G, and 2020G, which mainly included whole branded chicken (Doux), Brazilian whole chicken, chicken nuggets, chicken franks, various types of red meat, minced meat, and fish amongst others.
- Frozen vegetables and fruits represented circa 15% of total revenue in 2018G, 2019G, and 2020G, which mainly included various types of frozen vegetables, fruits and potatoes.
- Dairy products represented circa 13% of total revenue in 2018G, 2019G, and 2020G, which mainly included products such as cheese, labneh, and butter.
- Oil and olive products represented circa 10% of total revenue in 2018G, 2019G, and 2020G, which mainly included products such as Coopoliva olives and other olives/oil products.
- Other products represented circa 1% of total revenue in 2018G, 2019G, and 2020G, which mainly included various products such as rice, spices, ketchup, and other complementary food products.

The Company's products are sold through different distribution channels, with circa 39% of revenue generated from wholesale, circa 39% from retail, and circa 22% from the food service sector in 2018G, 2019G, and 2020G.

The Company sells several owned branded products (including, but not limited to, Dari, Montana, and Marietta) through various sales channels in addition to supplier branded products (including, but not limited to, Doux and Lamb Weston) through retail channels.

The Company offers discounts to specific customer categories, especially in the retail segment (amounting to circa 99% of all discounts offered in 2018G, 2019G, and 2020G). There are three types of discounts: 1) Fixed discounts as a percentage of total revenue which are based on the quantities purchased by the customer; 2) variable discounts which are based on revenue targets set by the Company for the supermarkets; and 3) discounts for promotional campaigns carried out by the Company in various retail stores. Discounts represented 4.0%, 4.9%, and 4.4% of total revenue in 2018G, 2019G, and 2020G respectively.

In certain instances, there are retail customers that return some products to the Company for the following reasons: 1) expired or damaged products which represented circa 17% of returns and 2) incorrect invoicing or delivery which represented circa 83% of returns. The Company usually sets a provision of 0.5% of total revenue for the returns of expired or damaged products. Returns amounted to 2.9%, 2.8%, and 2.8% of total revenue in 2018G, 2019G, and 2020G respectively.

In May 2018G, France Poultry was established as a new Company wholly owned by Abdullah Ali Almunajem Sons Company. France Poultry acquired some of the assets of Doux SA which had been up for sale in France. The acquisition included the largest slaughterhouse out of the three slaughterhouses owned by Doux, in addition to equipment, inventory and trademarks, which resulted in the Company's supply quantities decreasing from circa 8.0 thousand metric tons per month to circa 5.5 to 6 thousand metric tons per month sold through the new company France Poultry. As a result of this transaction, the imported quantities of Doux chicken decreased after the acquisition.

Along with the acquisition, there were other market factors such as the VAT introduction in early 2018G, tariff escalation for some goods and the general decline in domestic demand, all of which led to a 3.1% decrease in revenue to SAR 2,419.1 million in 2019G. This decrease was also impacted by a SAR 192.8 million decrease in red and white meat category revenue and more specifically by a decrease in poultry revenue by SAR 199.3 million. This decrease was offset by the increase in revenue by SAR 77.5 million from the frozen vegetables and fruits category and SAR 18.3 million from the dairy category products.

During 2020G, many precautionary measures were imposed to prevent the spread of COVID-19, including the closure of land, air, and sea borders, partial and total lockdowns as well as social distancing. While the Company's results were not affected by the partial and total lockdowns that were imposed throughout the Kingdom of Saudi Arabia between March and June 2020G, its sales channel mix were impacted. As such, the retail sector revenue increased due to an increase in customer purchases and panic buying, while the food service sector revenue decreased driven mainly by the partial and total lockdowns.

Revenue increased by 4.9% from SAR 2,419.1 million in 2019G to SAR 2,538.5 million in 2020G, due to an increase in retail sector revenue by SAR 180.7 million partially offset by the decrease in food service sector revenue by SAR 56.7 million. This revenue increase was driven by the change in the sales channel mix and increase in the average spending on food commodities per person.

Revenue decreased by 8.7% from SAR 687.6 million in the three-month period ending 31 March 2020G to SAR 628.1 million in the three-month period ending 31 March 2021G due to 1) a SAR 53.0 million decrease in red and white meat revenue from SAR 398.2 million to SAR 345.2 million, as revenue from Brazilian whole chicken and owned brands decreased by SAR 35.0 million and SAR 12.0 million respectively due to lower demand from those products in the Kingdom of Saudi Arabia and oversupply of Ukrainian poultry products. As such, poultry quantities sold decreased by 2.5 thousand metric tons from 35.2 thousand metric tons to 32.6 thousand metric tons; and 2) a SAR 23.4 million decrease in dairy product revenue, particularly Turkish labneh, from SAR 31.1 million to SAR 7.7 million, after the Turkish products public boycott that caused a 1.2 thousand metric tons decline in sold quantities from 1.7 thousand metric tons to 421 metric tons in the same period. This was offset by an increase in other dairy products.

Nevertheless, frozen vegetables and fruits revenue increased by 7.6% from SAR 111.1 million in in the three-month period ending 31 March 2020G to SAR 119.5 million in the three-month period ending 31 March 2021G due to a SAR 10.5 million increase in fruits revenue from SAR 17.7 million to SAR 28.2 million. This increase was driven by 1) an increase in mango products revenue by SAR 7.0 million, from SAR 8.2 million to SAR 15.2 million, 2) a SAR 2.2 million increase in berries products revenue from SAR 523 thousand to SAR 2.8 million after the Company commenced supplying this product in 2019G, and 3) a SAR 1.0 million increase in guava products revenue from SAR 947 thousand to SAR 2.0 million. The quantities sold of fruits increased by 867 thousand metric tons, from 3.0 thousand metric tons to 3.8 thousand metric tons. It should be noted that a large share of fruits revenue was generated from the Company's owned brands, Montana and Dari.

Cost of revenue

Cost of revenue includes purchases, supplier discounts, and differences in foreign currency conversion/exchange. Cost of revenue decreased by 0.1% from SAR 2,085.5 million in 2018G to SAR 2,084.4 million in 2019G as a result of a decrease in purchases and cost differentials, which were offset by an increase in supplier discounts. Purchases declined in 2019G due to the decrease in Doux product purchases in line with lower quantities supplied as previously mentioned.

Cost of revenue decreased by 1.4% to SAR 2,054.3 million in 2020G due to a decrease in purchases in light of the precautionary measures taken by the Saudi Government to prevent the spread of COVID-19, which partially impacted import activity.

Cost of revenue decreased by 3.4% from SAR 549.5 million in the three-month period ending 31 March 2020G, to SAR 530.6 million in the three-month period ending 31 March 2021G. This decrease is primarily attributed to the decrease in Brazilian poultry purchases due to market conditions and lower prices, in addition to the decrease in red meat purchases as suppliers provided the Saudi market with less meat after an increase in demand from East Asian markets. Moreover, the average selling price of meat products decreased due to the significant decrease in Hajj and Umrah pilgrims due to COVID-19.

Selling and distribution expenses

Selling and distribution expenses are comprised of employee costs, marketing expenses, depreciation expenses, utility charges, sales commissions, loading and unloading expenses, vehicle operating expenses, insurance fees, provisions for expected credit losses and others.

Selling and distribution expenses decreased by 1.8% from SAR 207.2 million in 2018G to SAR 203.5 million in 2019G for the following reasons: 1) short-term rental expenses decreased by SAR 417 thousand following the adoption of IFRS 16 related to leases, which resulted in the capitalization of rental expenses, 2) utility fees decreased by SAR 1.8 million as a result of the decrease in electricity, telecom, and water consumption, and 3) the provision for expected credit losses on other current financial assets decreased by SAR 1.7 million. This decrease was offset by a SAR 2.9 million increase in marketing expenses as the Company's share of Doux's marketing expenses increased from 25.0% in 2017G to 100.0% starting from mid-2018G after concluding the new agreement with the supplier company, France Poultry. It is worth noting that Doux's French Poultry products are highly profitable and represent circa 25% of all sales by Almunajem Foods Company with a leading market share compared to its competitors.

Selling and distribution expenses increased by 11.0% to SAR 225.9 million in 2020G due to the increase in employee costs by SAR 14.6 million as the number of employees increased from 1,643 employees to 1,683 employees. This was coupled with the increase in the average cost per outsourced employee due to the increase in government fees related to expat labor and employee allowances which increased in line with the Company's agreements with outsourcing companies.

Selling and distribution expenses increased by 7.1% from SAR 53.5 million in the three-month period ending 31 March 2020G to SAR 57.3 million in the three-month period ending 31 March 2021G due to a SAR 1.9 million increase in marketing expenses as a result of the increase in advertising campaigns relative to the three-month period ending 31 March 2020G period given the uncertainty due to the pandemic. This increase was also due to a SAR 1.8 million increase in the provision for expected credit losses on receivables as per the actuarial assessment and the allocation policy during that period.

General and administrative expenses

General and administrative expenses include employee costs, amortization expenses, bank fees, utility fees, depreciation expenses, professional fees, repair and maintenance expenses, and transportation and travel expenses amongst others.

General and administrative expenses increased by 7.3% from SAR 20.3 million in 2018G to SAR 21.7 million in 2019G as a result of a SAR 1.3 million increase in employee costs with the decrease in support received from the Human Resources Development Fund (HRDF) for employing Saudi nationals over the same period.

General and administrative expenses increased by 5.9% to SAR 23.0 million in 2020G due to the increase in employee costs by SAR 1.5 million driven by the increase in government fees related to expat labor despite the decrease in the number of employees by one employee over the same period. It should be noted that port detention / electric charges were reclassified into general and administrative expenses during 2019G.

General and administrative expenses decreased by 6.5% from SAR 5.3 million in the three-month period ending 31 March 2020G to SAR 5.0 million in the three-month period ending 31 March 2021G, due to a decline in employee costs as the amounts received from the HRDF decreased by SAR 106 thousand and incentives decreased by SAR 282 thousand over the same period.

Depreciation of right-of-use assets

Commencing 1 January, 2019G, the Company began adopting IFRS 16 which relates to leases, to recognize leases as right-of-use assets with corresponding liabilities at the date at which the leased assets are available for use by the Company. Lease payments relate to lease liabilities and finance costs which are recognized in the income statement over the lease term. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Company has lease contracts for buildings, lands, and motor vehicles that are used for its operations.

Depreciation of right-of-use assets increased by 44.5% from SAR 5.4 million in 2019G to SAR 7.8 million in 2020G as a result of the increase in right-of-use assets.

Depreciation of right-of-use assets increased by 12.9% from SAR 1.7 million in the three-month period ending 31 March 2020G to SAR 1.9 million in the three-month period ending 31 March 2021G, due to an increase in depreciation of right-of-use assets related to buildings from SAR 139 thousand to SAR 372 thousand driven by additions.

Other net revenue (expenses)

Other revenue (expenses) consisted mainly of compensation from two court cases in 2018G and 2020G, losses related to the Buraidah branch fire in 2018G, and gains on disposal of property, plant, and equipment amongst others. Other expenses amounted to SAR 22.6 million in 2018G and were mainly related to a loss of SAR 25.9 million related to the Buraidah branch fire. The fire damage resulted in machinery and equipment losses of SAR 4.1 million, and inventory losses of SAR 21.8 million over the same period. These losses were offset by a compensation from a court case of SAR 2.4 million during the same period.

Other revenue amounted to SAR 17.4 million in 2019G and consisted mainly of a SAR 12.4 million compensation from the insurance company for the Buraidah branch fire that occurred in 2018G, and a property, plant, and equipment disposal gain amounting to SAR 3.7 million during the same period.

Other revenue amounted to SAR 14.3 million in 2020G and comprised of a compensation collected by the Company from a lawsuit filed against a local service company amounting to SAR 10.3 million during the same period.

Other revenue amounted to SAR 1.2 million during the three-month period ending 31 March 2020G and SAR 488 thousand during the three-month period ending 31 March 2021G and was mainly related to gain on sale of property, plant, and equipment.

Financing costs

Financing costs pertain to the costs of short-term loans, lease liabilities and employee benefit obligations. Financing costs increased by 39.2% from SAR 6.8 million in 2018G to SAR 9.5 million in 2019G due to an increase in short-term loans received and the increase in the Saudi Interbank Offered Rate (SIBOR) during the same period.

Financing costs decreased by 48.9% to SAR 4.9 million in 2020G due to a decrease in the utilization of short-term loans and in the SIBOR during the same period.

Financing costs decreased by 46.0% from SAR 1.4 million in the three-month period ending 31 March 2020G, to SAR 738 thousand in the three-month period ending 31 March 2021G in line with the decrease in utilization of short-term loans during the same period.

Zakat

Zakat expense decreased by 48.9% from SAR 5.4 million in 2018G to SAR 2.8 million in 2019G due to a zakat payment of SAR 5.4 million, this was offset by a provision for the year by SAR 2.9 million.

Zakat expense increased by 160.2% to SAR 7.3 million in 2020G in line with the increase in net income during the same period.

Zakat expense increased by 97.7% from SAR 1.8 million in the three-month period ending 31 March 2020G to SAR 3.6 million in the three-month period ending 31 March 2021G as the Company started calculating zakat on a standalone basis which increased the zakat base as compared to prior periods whereby the zakat base was based on the consolidated zakat base of Abdullah Ali Almunajem Sons Company (Substantial Shareholder), coupled with the increase in capital amounting to SAR 450 million over the same period. Please see Section 2.2.8 ("**Risks Related to Zakat and Tax**").

Net income for the year / period

Net income for the year decreased by 27.0% from SAR 149.5 million in 2018G to SAR 109.2 million in 2019G, with the net profit margin decreasing from 6.0% to 4.5%, due to the decrease in gross profit from SAR 411.9 million in 2018G to SAR 334.7 million in 2019G whereby gross profit margin decreased from 16.5% to 13.8%. This decrease is mainly attributed to the decrease in revenue by SAR 78.3 million as a result of 1) the decrease in Doux purchases following France Poultry's acquisition of some of the assets of Doux SA that were up for sale in France, 2) the general decrease in average poultry prices due to market factors, and 3) the VAT implementation coupled with structural changes in the Saudi labor market which led to the departure of many expatriates and therefore to a decrease in demand. This decrease was offset by other revenue mainly related to the insurance claim which amounted to SAR 12.4 million in relation to the Buraidah branch fire that occurred in 2018G for which the Company was compensated for from the insurance company in 2019G.

Net income increased by 110.4% to SAR 229.7 million in 2020G and net profit margin increased to 9.0% due to the increase in gross profit to SAR 484.1 million in 2020G (gross profit margin increased from 13.8% to 19.1%). This increase was mainly driven by a SAR 119.4 million increase in revenue after a shift in the Company's revenue channels mix which improved sales prices in light of reduced promotional offers during the COVID-19 pandemic period. Moreover, there was an increase in average consumer spending on food products over the same period. This was coupled with other revenue which consisted of a SAR 10.3 million compensation from a lawsuit filed against a local service company which was also collected during the same period.

Net income decreased by 61.1% from SAR 75.7 million in the three-month period ending 31 March 2020G to SAR 29.5 million in the three-month period ending 31 March 2021G with net profit margin decreasing from 11.0% to 4.7% over the same period, mainly driven by the decrease in gross profit from SAR 138.1 million in the three-month period ending 31 March 2020G to SAR 97.4 million in the three-month period ending 31 March 2021G (gross profit margin decreasing from 20.1% to 15.5%).

This decrease was primarily attributed to a SAR 59.5 million decline in revenue from SAR 687.6 million to SAR 628.1 million after the decrease in red and white meat revenue, in particular the Brazilian whole chicken and Company owned brands driven primarily by market factors and the decrease in prices during the first quarter of 2021G compared to the same period in 2020G. This was partly offset by an increase in prices resulting from the decrease in promotions and the concentration of sales in retail sector channels which have higher profit margins; in addition to a decrease in dairy products revenue, particularly Turkish labneh, due to the Turkish products public boycott that resulted in a decline in quantities sold. Nevertheless, this was partly offset by the increase in revenue from frozen vegetables and fruits over the same period.

6.6.1.1 Revenue by product type

Table (6-3): Revenue by product type for the years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G.

SAR in thousands	Fiscal year 2018G (Management information)	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Red and white meat	1,630,755	1,437,960	1,456,835	(11.8%)	1.3%	(5.5%)	398,218	345,213	(13.3%)
Frozen vegetables and fruits	317,707	395,208	433,333	24.4%	9.6%	16.8%	111,067	119,545	7.6%
Dairy products	300,207	318,545	349,356	6.1%	9.7%	7.9%	90,882	78,203	(14.0%)
Oil and olive products	225,335	235,596	262,330	4.6%	11.3%	7.9%	79,248	76,749	(3.2%)
Other products	19,473	23,944	29,498	23.0%	23.2%	23.1%	6,568	6,711	2.2%
Total revenues	**2,493,477**	**2,411,253**	**2,531,351**	**(3.3%)**	**5.0%**	**0.8%**	**685,983**	**626,421**	**(8.7%)**
Storage revenues	3,868	7,808	7,103	101.9%	(9.0%)	35.5%	1,595	1,634	2.4%
Net revenues	**2,497,345**	**2,419,060**	**2,538,454**	**(3.1%)**	**4.9%**	**0.8%**	**687,579**	**628,055**	**(8.7%)**
KPIs									
Quantities sold (in metric tons)									
Red and white meat	160,122	147,658	140,075	(7.8%)	(5.1%)	(6.5%)	39,234	36,939	(5.8%)
Frozen vegetables and fruits	59,784	72,880	77,100	21.9%	5.8%	13.6%	20,284	21,965	8.3%
Dairy products	20,997	22,990	23,321	9.5%	1.4%	5.4%	6,381	5,729	(10.2%)
Oil and olive products	29,094	33,810	35,718	16.2%	5.6%	10.8%	9,933	7,664	(22.8%)
Other products	3,810	4,780	5,248	25.5%	9.8%	17.4%	1,147	1,404	22.5%
Total quantities sold	**273,807**	**282,118**	**281,462**	**3.0%**	**(0.2%)**	**1.4%**	**76,978**	**73,701**	**(4.3%)**
Average sale price per metric ton (SAR)									
Red and white meat	10,184	9,738	10,400	(4.4%)	6.8%	1.1%	10,150	9,346	(7.9%)

SAR in thousands	Fiscal year 2018G (Management information)	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Frozen vegetables and fruits	5,314	5,423	5,620	2.0%	3.6%	2.8%	5,476	5,443	(0.6%)
Dairy products	14,297	13,856	14,981	(3.1%)	8.1%	2.4%	14,242	13,651	(4.2%)
Oil and olive products	7,745	6,968	7,344	(10.0%)	5.4%	(2.6%)	7,979	10,014	25.5%
Other products	5,111	5,009	5,621	(2.0%)	12.2%	4.9%	5,728	4,778	(16.6%)
Total average sale price per metric ton	**9,107**	**8,547**	**8,994**	**(6.1%)**	**5.2%**	**(0.6%)**	**8,911**	**8,500**	**(4.6%)**
As a percentage of revenue									
Red and white meat	65.4%	59.6%	57.6%	(5.8)	(2.1)	(7.8)	58.1%	55.1%	(2.9)
Frozen vegetables and fruits	12.7%	16.4%	17.1%	3.6	0.7	4.4	16.2%	19.1%	2.9
Dairy products	12.0%	13.2%	13.8%	1.2	0.6	1.8	13.2%	12.5%	(0.8)
Oil and olive products	9.0%	9.8%	10.4%	0.7	0.6	1.3	11.6%	12.3%	0.7
Other products	0.8%	1.0%	1.2%	0.2	0.2	0.4	1.0%	1.1%	0.1
Revenue by brand									
Distributed brand revenue	2,179,711	2,045,410	2,081,425	(6.2%)	1.8%	(2.3%)	582,584	497,078	(14.7%)
Owned brand revenue	313,765	365,843	449,927	16.6%	23.0%	19.7%	103,399	129,343	25.1%
Total	**2,493,477**	**2,411,253**	**2,531,351**	**(3.3%)**	**5.0%**	**0.8%**	**685,983**	**626,421**	**(8.7%)**
Returns and Discounts									
Returns	77,423	72,724	77,632	(6.1%)	6.7%	0.1%	18,351	19,755	7.6%
Returns as a % of revenue	2.9%	2.8%	2.8%	(0.1)	0.1	(0.0)	2.5%	2.9%	0.4%
Discounts	107,123	128,545	120,669	20.0%	(6.1%)	6.1%	40,936	45,470	11.1%

SAR in thousands	Fiscal year 2018G (Management information)	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Discounts as % of revenue	4.0%	4.9%	4.4%	0.9	(0.5)	0.4	5.5%	6.6%	1.1
Storage revenue									
Revenue from related-parties	1,357	3,307	1,858	143.7%	(43.8%)	17.0%	498	530	6.4%
Revenue from third-parties	2,511	4,501	5,245	79.3%	16.5%	44.5%	1,097	1,104	0.6%
Storage rental revenue as % of total revenue	0.2%	0.3%	0.3%	0.2%	(0.0)	0.1	0.2%	0.3%	0.1

Source: Management information.

Red and white meat

The red and white meat revenue comprises of poultry (whole chicken, branded chicken parts and franks sold in retail, and Brazilian whole chicken and chicken parts sold in other sectors) which comprised 84.7% of red and white meat revenue in 2018G, 2019G, and 2020G, meat products which comprised 12.2% of red and white meat revenue, minced meat which comprised 1.9% of red and white meat revenue and fish products which comprised 1.2% of red and white meat revenue.

Red and white meat revenue decreased by 11.8% from SAR 1,630.8 million in 2018G to SAR 1,438.0 million in 2019G due to a decline in poultry revenue by SAR 199.3 million from SAR 1,409 million to SAR 1,210 million, as the poultry quantities sold decreased by 12,033 metric tons from 143,548 metric tons to 131,515 metric tons driven by with the decline in the quantities purchased, along with the decrease in the average selling price of poultry from SAR 9.8 thousand per metric ton to SAR 9.2 thousand per metric ton as a consequence of the discounts and offers provided by the Company on these products. Additionally, meat revenue decreased by SAR 4.0 million following the decrease in quantities sold from 10,030 metric tons to 9,461 metric tons. This decrease was offset by the increase in fish and minced meat revenue by SAR 5.3 million and SAR 5.2 million respectively over the same period.

Red and white meat revenue increased by 1.3% to SAR 1,456.8 million in 2020G due to a SAR 68.8 million growth in Doux revenue from SAR 464.9 million to SAR 533.6 million driven by the increase in retail revenue following the panic buying from retail customers during the partial and total lockdowns imposed by the Saudi Government to prevent the spread of COVID-19. This was in addition to the overall improvement in average selling prices.

Red and white meat revenue decreased by 13.3% from SAR 398.2 million in the three-month period ending 31 March 2020G to SAR 345.2 million in the three-month period ending 31 March 2021G due to a decline in Brazilian whole chicken revenue, especially the Unef brand that witnessed a SAR 42.4 million decrease from SAR 71.9 million to SAR 29.5 million after the average selling price of red and white meat decreased by 7.9% from SAR 10.2 thousand per metric ton to SAR 9.3 thousand per metric ton over the same period. The decrease in poultry revenue was attributed to lower demand in the Saudi market and the oversupply of Ukrainian poultry. The poultry quantities sold decreased by 2.5 thousand metric tons from 35.2 thousand metric tons to 32.6 thousand tons. Red meat revenue also witnessed a SAR 16.0 million decrease from SAR 51.6 million to SAR 35.6 million because of the lower meat supply in the Saudi market and the higher selling prices. On the other hand, the average selling prices of meat products decreased as the market was affected by the significant drop in Hajj and Umrah pilgrims due to COVID-19.

Frozen vegetables and fruits

Revenue from frozen vegetables and fruits mainly comprise of potato sales, which represented 58.6% of frozen vegetables and fruits revenue in 2018G, 2019G, and 2020G, this is in addition to frozen fruits which comprised 22.2% of frozen vegetables and fruits revenue and other vegetables which comprised 19.1% of frozen vegetables and fruits revenue.

Frozen vegetables and fruits revenue increased by 24.4% from SAR 317.7 million in 2018G to SAR 395.2 million in 2019G driven by a SAR 63.9 million increase in potato revenue after signing new supply contracts with large-scale restaurants and the overall growth of the food service sector. It is worth noting that the revenue of Lamb Weston frozen potatoes accounted for circa 90% of frozen potatoes revenue in 2019G noting that the Company is the distributor of this brand in Saudi Arabia.

Frozen vegetables and fruits revenue increased by 9.6% to SAR 433.3 million in 2020G due to an increase in retail revenue. This was offset by a decrease in revenue from food services impacted by partial and total lockdowns due to COVID-19.

Frozen vegetables and fruits revenue increased by 7.6% from SAR 111.1 million in the three-month period ending 31 March 2020G to SAR 119.5 million in the three-month period ending 31 March 2021G due to an increase of SAR 10.5 million in fruits revenue from SAR 17.7 million to SAR 28.2 million. This increase was driven by 1) a SAR 7.0 million increase in mango product revenue from SAR 8.2 million to SAR 15.2 million, 2) a SAR 2.2 million growth in berries product revenue from SAR 523 thousand to SAR 2.8 million as the Company commenced supplying this product in 2019G, and 3) a SAR 1.0 million increase in guava product revenue from SAR 947 thousand to SAR 2.0 million over the same period. The quantities sold of fruits increased by 867 thousand metric tons from 3.0 thousand metric tons to 3.8 thousand metric tons over the same period. A large share of fruits revenue was generated by the Montana and Dari brands.

Dairy products

Dairy product revenue includes different types of cheese products, labneh, and various types of butter brands. Dairy product revenue increased by 6.1% from SAR 300.2 million in 2018G to SAR 318.5 million in 2019G due to an increase in the revenue of Arla, President, and Dari products.

It is worth noting that in 2019G, circa 40% of dairy product revenue was generated from the Arla brand and circa 33% from the President labneh brand (formerly Ulker labneh). During 2019G, the Company agreed with Lactalis to distribute President products in Saudi Arabia through all sales channels and agreed with Arla to continue distributing its products through the wholesale channel and the food service channel while Arla will distribute its products under the "Three Cows (Al Bakarat Al Thalath)" brand in the retail sector. These agreements resulted in a change in the Arla product mix sold by the Company. Despite the increase in revenue from Arla products, overall profit decreased as a result of the change in the product mix.

Dairy product revenue increased by 9.7% to SAR 349.4 million in 2020G due to the SAR 57.8 million increase in revenue of President products in the retail sector and the growth in revenue of the Three Cows and Dari products in the food service and wholesale sectors.

Dairy product revenue decreased by 14.0% from SAR 90.9 million in the three-month period ending 31 March 2020G to SAR 78.2 million in the three-month period ending 31 March 2021G due to a SAR 23.4 million decrease in Turkish labneh revenue from SAR 31.1 million to SAR 7.7 million after the Turkish products public boycott that caused a 1.2 thousand metric tons decline in quantities sold from 1.7 thousand metric tons to 421 metric tons. This decrease was offset by a SAR 6.4 million increase in mozzarella cheese revenue from SAR 24.7 million to SAR 31.1 million, a SAR 3.0 million increase in other cheese products revenue from SAR 550 thousand to SAR 3.5 million, and a SAR 1.9 million increase in butter product revenue from SAR 1.8 million to SAR 3.7 million over the same period.

Oil and olive products

Oil and olive products revenue comprised of olives, olive oil, and cooking oils and increased by 4.6% from SAR 225.3 million in 2018G to SAR 235.6 million in 2019G due to an increase in olive and olive oil revenue by SAR 5.8 million and an increase in cooking oil revenue by SAR 4.5 million driven by an increase in quantities sold by 4,716 metric tons. This increase was offset by a decrease in the average selling price during the same period.

Oil and olive products revenue increased by 11.3% to SAR 262.3 million in 2020G due to an increase in Coopoliva olives revenue in the retail sector by SAR 5.8 million driven by an increase in the quantities sold of oil and olive products by 1,908 metric tons.

Oil and olive products revenue decreased by 3.2% from SAR 79.2 million in the three-month period ending 31 March 2020G to SAR 76.7 million in the three-month period ending 31 March 2021G due to a SAR 3.3 million decrease in oil and olive revenue in the wholesale sector following a decline in the quantities sold from 5.5 thousand metric tons to 3.5 thousand metric tons.

Other products

Other products' revenue comprised rice products, ketchup, and others and increased by 23.0% from SAR 19.5 million in 2018G to SAR 23.9 million in 2019G due to an increase in revenue of Marietta rice products driven by an increase in the quantities sold.

Other products' revenue increased by 23.2% to SAR 29.5 million in 2020G due to a SAR 4.8 million growth in the revenue of imported eggs to meet market needs.

Other products' revenue increased by 2.2% from SAR 6.6 million in the three-month period ending 31 March 2020G to SAR 6.7 million in the three-month period ending 31 March 2021G due to an increase in Marietta ketchup revenue driven by an increase in the quantities sold.

Storage revenue

Storage revenue pertains to the rental of warehouse space of the Company's cold stores in addition to the storage of products in the cold stores and which comprised 0.3% of total revenue in 2018G, 2019G and 2020G and in the three-month period ending 31 March 2020G and 2021G. The Company's leases storage space to related parties as well as third parties. Storage revenue from third parties increased by 79.3% from SAR 2.5 million in 2018G to SAR 4.5 million in 2019G and by 16.5% to SAR 5.2 million in 2020G due to an increase in the leased space coupled with an increase in the number of third-party customers over the same periods.

Storage revenue from third party customers remained relatively stable at SAR 1.1 million in the three-month period ending 31 March 2020G and 2021G and comprised circa 68.2% of total storage revenue over the same period.

Storage revenue from related parties increased by 143.7% from SAR 2.5 million in 2018G to SAR 4.5 million in 2019G driven by an increase in the leased space. Storage revenue from related parties decreased by 43.8% reaching SAR 1.9 million in 2020G due to increased leased space to third party customers. It is worth noting that storage revenue from related parties comprised 34.7% of total storage revenue over the same periods.

Storage revenue from related parties remained relatively stable at SAR 0.5 million in the three-month period ending 31 March 2020G and 2021G and comprised circa 31.8% of total storage revenue over the same period.

Returns

Returns represent products that have either been expired or damaged which comprised circa 17% of total returns and incorrect invoicing or delivery which comprised the majority of returns amounting to circa 83% of total returns. The Company typically provides for 0.5% of total revenue as provisions for expired or damaged goods. Returns as a percentage of total revenue amounted to 2.9%, 2.8% and 2.8% in 2018G, 2019G and 2020G, respectively and 2.5% and 2.9% of total revenue in the three-month period ending 31 March 2020G and 2021G, respectively.

Returns decreased by 6.1% from SAR 77.4 million in 2018G to SAR 72.7 million in 2019G primarily due to a decrease in the number of incorrect invoices. Returns increased by 6.7% to SAR 77.6 million in 2020G due to an increase in undelivered products during the period.

Returns increased by 7.6% from SAR 18.4 million in the three-month period ending 31 March 2020G to SAR 19.8 million in the three-month period ending 31 March 2021G driven by an increase in expired or damaged goods.

Discounts

Discounts represent rebates and discounts provided primarily to hypermarkets and include fixed rebates, slab agreement discounts and promotional activity discounts whereby discounts provided to hypermarkets comprised circa 99.0% of total discounts provided in 2018G, 2019G and 2020G and in the three-month period ending 31 March 2020G and 2021G.

Discounts increased by 20.0% from SAR 107.1 million in 2018G (4.0% as a percentage of total revenue) to SAR 128.5 million in 2019G (4.9% as a percentage of total revenue) driven by the addition of four new hypermarkets to the customers list of discounts. Discounts decreased by 6.1% to SAR 120.7 million in 2020G (4.4% as a percentage of total revenue) due to a decrease in discounts provided to hypermarkets as a result of the influx of end users to retail outlets and supermarkets during the partial and total lockdown periods that were imposed by the Saudi Government to prevent the spread of

COVID-19, this is in addition to the increase in the number of households that spent the summer periods in the Kingdom of Saudi Arabia during the same period.

Discounts increased by 11.1% from SAR 40.9 million in the three-month period ending 31 March 2020G (5.5% as a percentage of total revenue) to SAR 45.5 million in the three-month period ending 31 March 2021G (6.6% as a percentage of total revenue) due to the addition of two new hypermarkets to the customers list of discounts.

6.6.1.2 Revenue by distribution channel

Table (6-4): Revenue by distribution channel for the years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G.

SAR in thousands	Fiscal year 2018G (Management information)	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Retail									
Retail sales	959,943	867,448	1,048,111	(9.6%)	20.8%	4.5%	284,089	278,344	(2.0%)
Non-retail									
Wholesale sales	1,007,626	944,846	941,000	(6.2%)	(0.4%)	(3.4%)	248,041	204,258	(17.7%)
Food service	525,908	598,959	542,240	13.9%	(9.5%)	1.5%	153,854	143,819	(6.5%)
Total revenue	**2,493,477**	**2,411,253**	**2,531,351**	**(3.3%)**	**5.0%**	**0.8%**	**685,983**	**626,421**	**(8.7%)**
Storage revenue	3,868	7,808	7,103	101.9%	(9.0%)	35.5%	1,595	1,634	2.4%
Net revenue	**2,497,345**	**2,419,060**	**2,538,454**	**(3.1%)**	**4.9%**	**0.8%**	**687,579**	**628,055**	**(8.7%)**
KPIs									
Number of customers									
Retail sales	10,605	9,876	10,457	(729)	581	(148)	10,327	11,188	861
Wholesale sales	747	736	896	(11)	160	149	671	720	49
Food service	7,113	7,465	6,384	352	(1,081)	(729)	5,575	5,423	(152)
Total number of customers	**18,465**	**18,077**	**17,737**	**(388)**	**(340)**	**(728)**	**16,573**	**17,331**	**758**
Average revenue per customer (SAR in thousands)									
Retail sales	91	88	100	(3.0%)	14.1%	5.2%	28	25	(9.6%)
Wholesale sales	1,349	1,284	1,050	(4.8%)	(18.2%)	(11.8%)	370	284	(23.3%)
Food service	74	80	85	8.5%	5.9%	7.2%	28	27	(3.9%)

SAR in thousands	Fiscal year 2018G (Management information)	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Total average revenue per customer	**135**	**133**	**143**	**(1.2%)**	**7.0%**	**2.8%**	**41**	**36**	**(12.7%)**
As a percentage of revenue									
Retail sales	38.5%	36.0%	41.4%	(2.5)	5.4	2.9	41.4%	44.4%	3.0
Wholesale sales	40.4%	39.2%	37.2%	(1.2)	(2.0)	(3.2)	36.2%	32.6%	(3.6)
Food service	21.1%	24.8%	21.4%	3.7	(3.4)	0.3	22.4%	23.0%	0.5

Source: Management information.

Retail sales

Retail sales relates to supermarkets, hypermarkets, and other retail stores, and represented 38.5% of revenue in 2018G, 36% in 2019G, and 41.4% in 2020G, with a 19.3% average gross profit margin over the historical period.

Retail sales decreased by 9.6% from SAR 960.0 million in 2018G to SAR 867.5 million in 2019G mainly due to a decrease in Doux purchases. This was attributed to a decrease in red and white meat revenue from SAR 574.7 million in 2018G to SAR 462.0 million in 2019G. Additionally, the number of customers decreased from 10,605 to 9,876 customers over the same period.

Retail sales increased by 20.8% to SAR 1,048.1 million in 2020G as a result of the increase in demand from retail and supermarket customers during the lockdown imposed by the Saudi Government due to COVID-19, coupled with decreased travel due to travel restrictions partially during the summer period in Saudi Arabia. In addition, there was a drop in promotions and discounts offered which consequently resulted into an increase in average revenue per customer from SAR 88 thousand to SAR 100 thousand over the same period.

Retail sales decreased by 2.0% from SAR 284.1 million in the three-month period ending 31 March 2020G to SAR 278.3 million in the three-month period ending 31 March 2021G due to a 9.6% decrease in average revenue per customer from SAR 28 thousand to SAR 25 thousand and a SAR 12.7 million decline in dairy product revenue in the retail sector from SAR 55.6 million to SAR 42.8 million driven by a SAR 17.5 million decline in Turkish labneh revenue in the retail sector from SAR 22.2 million to SAR 4.8 million after the Turkish products public boycott. This decrease was offset by a SAR 1.3 million increase in cheese related products revenue from SAR 2.4 million to SAR 3.7 million over the same period.

Wholesale sales

Wholesale sales relates to food wholesale suppliers who typically buy in bulk and represented 40.4% of total revenue in 2018G, 39.2% in 2019G, and 37.2% in 2020G. Wholesale channel illustrated an average gross profit margin of 13.7% over the historical period.

Wholesale sales decreased by 6.2% from SAR 1,007.6 million in 2018G to SAR 944.8 million in 2019G, with a drop in the number of customers from 747 to 736 customers, which reduced the gross profit margin for the wholesale sector from 14.4% to 11.2 %. It is worth noting that the top 5 customers in the wholesale sector accounted for 10.0% of total wholesale sales in 2019G.

Wholesale sales decreased by 0.4% to SAR 941.0 million in 2020G due to the Company's focus on the retail channel during that period. Additionally, the average revenue per customer decreased from SAR 1,284 thousand to SAR 1,050 thousand over the same period.

Wholesale sales decreased by 17.7% from SAR 248.0 million in the three-month period ending 31 March 2020G to SAR 204.3 million in the three-month period ending 31 March 2021G due to a 23.3% decrease in average revenue per customer in the wholesale channel from SAR 370 thousand to SAR 284 thousand following weak demand in the poultry market, especially after the implementation of the temporary precautionary measures to restaurants and the increasing supply of poultry products which negatively affected the Company's poultry revenue.

Food services

Food service sales relates to hotels, restaurants, and caf s (HORECA), catering companies, and sales made to sister companies, as well as other direct sales conducted by sales representative and comprised 21.1% of total revenue in 2018G, 24.8% in 2019G, and 21.4% in 2020G, with an average gross profit margin of 15.8% over the historical period.

Food service sales increased by 13.9% from SAR 525.9 million in 2018G to SAR 599.0 million in 2019G along with a 24.5% increase in average revenue per customer from SAR 74 thousand to SAR 80 thousand, in addition to an increase in Lamb Weston potatoes sales after signing new supply contracts with large-scale restaurants in 2018G.

Food service sales decreased by 9.5% to SAR 542.2 million in 2020G as restaurants were affected by the partial and total lockdowns imposed by the Saudi Government in mid-March due to COVID-19. Moreover, the number of customers decreased from 7,465 to 6,384 customers.

Food service sales decreased by 6.5% from SAR 153.9 million in the three-month period ending 31 March 2020G to SAR 143.8 million in the three-month period ending 31 March 2021G due to the decrease in the number of customers in this channel by 152 customers from 5.6 thousand customers to 5.4 thousand customers, after many restaurants closed because of COVID-19, in addition to the decrease in the capacity of some restaurants after the implementation of the precautionary measures imposed by the Saudi Government to prevent the pandemic.

6.6.1.3 Revenue by region

Table (6-5): Revenue by region for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G.

SAR in thousands	Fiscal year 2018G (Management information)	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Central Region	1,105,601	1,037,274	1,141,376	(6.2%)	10.0%	1.6%	308,460	288,881	(6.3%)
Eastern Region	307,520	314,428	339,089	2.2%	7.8%	5.0%	89,951	81,233	(9.7%)
Western Region	600,759	593,451	557,859	(1.2%)	(6.0%)	(3.6%)	159,140	137,181	(13.8%)
Southern region	238,434	234,153	250,862	(1.8%)	7.1%	2.6%	61,035	61,590	0.9%
Northern Region	241,163	231,945	242,165	(3.8%)	4.4%	0.2%	67,397	57,535	(14.6%)
Total revenue	**2,493,477**	**2,411,253**	**2,531,351**	**(3.3%)**	**5.0%**	**0.8%**	**685,983**	**626,421**	**(8.7%)**
Storage revenue	3,868	7,808	7,103	101.9%	(9.0%)	35.5%	1,595	1,634	2.4%
Net revenue	**2,497,345**	**2,419,060**	**2,538,454**	**(3.1%)**	**4.9%**	**0.8%**	**687,579**	**628,055**	**(8.7%)**
KPIs									
Number of branches									

SAR in thousands	Fiscal year 2018G (Management information)	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Central region	2	2	2	-	-	-	2	2	-
Eastern region	2	2	2	-	-	-	2	2	-
Western region	4	4	4	-	-	-	4	4	-
Southern region	2	2	2	-	-	-	2	2	-
Northern region	3	3	3	-	-	-	3	3	-
Total number of branches	**13**	**13**	**13**	**-**	**-**	**-**	**13**	**13**	**-**
As a percentage of revenue									
Central region	44.3%	43.0%	45.1%	(1.3)	2.1	0.7	45.0%	46.1%	1.1
Eastern region	12.3%	13.0%	13.4%	0.7	0.4	1.1	13.1%	13.0%	(0.1)
Western region	24.1%	24.6%	22.0%	0.5	(2.6)	(2.1)	23.2%	21.9%	(1.3)
Southern region	9.6%	9.7%	9.9%	0.1	0.2	0.3	8.9%	9.8%	(0.9)
Northern region	9.7%	9.6%	9.6%	(0.1)	(0.1)	(0.1)	9.8%	9.2%	(0.6)

Source: Management information.

Central region

Revenue in the central region was mainly generated by retail (44.4%), wholesale (31.3%), and the food service (24.3%) channels in 2018G, 2019G, and 2020G, primarily from the Riyadh and Buraidah branches.

Revenue in the central region decreased by 6.2% from SAR 1,105.6 million in 2018G to SAR 1,037.3 million in 2019G due to the decrease in revenue from branded chicken, particularly those sold through the retail channel, from SAR 355.0 million in 2018G to SAR 264.0 million in 2019G in line with the decrease in the Company's purchases. This decrease was partially offset by an increase in potato revenue from SAR 86.1 million in 2018G to SAR 114.8 million in 2019G.

Revenue in the central region increased by 10.0% to SAR 1,141.4 million in 2020G due to an increase in demand by retail and supermarket customers.

Revenue in the central region decreased by 6.3% from SAR 308.5 million in the three-month period ending 31 March 2020G to SAR 288.9 million in the three-month period ending 31 March 2021G due to a SAR 9.4 million decrease in retail revenue from SAR 144.5 million to SAR 135.1 million and a SAR 8.7 million decrease in wholesale revenue from SAR 87.6 million to SAR 78.9 million over the same period.

Eastern region

Revenue in the eastern region was mainly generated by retail (40.8%), wholesale (40.3%), and the food service (18.9%) channels in 2018G, 2019G, and 2020G, primarily from the Dammam and Al-Ahsa branches which cover all governorates and cities in the region.

Revenue in the eastern region increased by 2.2% in 2019G from SAR 307.5 million in 2018G to SAR 314.4 million due to the increase in sales in the food service channel from SAR 56.8 million in 2018G to SAR 67.8 million in 2019G, as well as the increase in wholesale revenue from SAR 122.4 million in 2018G to SAR 127.1 million in 2019G.

Revenue in the eastern region increased by 7.8% to SAR 339.1 million in 2020G due to increases in wholesale, retail, and food service revenue.

Revenue in the eastern region decreased by 9.7% from SAR 90.0 million in the three-month period ending 31 March 2020G to SAR 81.2 million in the three-month period ending 31 March 2021G, due to a SAR 7.9 million decrease in wholesale revenue from SAR 36.1 million to SAR 28.2 million over the same period.

Western region

Revenue in the western region was mainly generated by wholesale (42.6%), retail (34.0%), and the food service (23.4%) channel in 2018G, 2019G, and 2020G, primarily from the 4 branches located in Jeddah, Madinah, Makkah, and Taif.

Revenue in the western region decreased by 1.2% from SAR 600.8 million in 2018G to SAR 593.5 million in 2019G due to a SAR 19.7 million decrease in wholesale revenue from SAR 275.3 million in 2018G to SAR 255.7 million in 2019G, which resulted from the continued decrease in poultry revenue by SAR 42.3 million over the same period.

Revenue in the western region further decreased by 6.0% to SAR 557.9 million in 2020G due to the decline in wholesale and food service revenue, which were offset by an increase in retail revenue.

Revenue in the western region decreased by 13.8% from SAR 159.1 million in the three-month period ending 31 March 2020G to SAR 137.2 million in the three-month period ending 31 March 2021G following a SAR 13.3 million decrease in wholesale revenue from SAR 60.9 million to SAR 47.7 million and a SAR 7.5 million decrease in food service revenue from SAR 36.3 million to SAR 28.7 million over the same period.

Southern region

Revenue in the southern region was mainly generated by wholesale (46.0%), retail (30.4%), and the food service (23.6%) channels in 2018G, 2019G, and 2020G, primarily from the branches of Khamis Mushait and Jazan.

Revenue in the southern region decreased by 1.8% from SAR 238.4 million in 2018G to SAR 234.2 million in 2019G due to an overall decline in poultry revenue which in turn reduced wholesale revenue from SAR 115.0 million in 2018G to SAR 110.8 million in 2019G and retail revenue from SAR 74.8 million in 2018G to SAR 65.1 million in 2019G. These decreases were offset by an increase in food service revenue from SAR 48.6 million in 2018G to SAR 58.2 million in 2019G.

Revenue in the southern region increased by 7.1% to SAR 250.9 million in 2020G due to an increase in retail revenue which was offset by a decrease in wholesale sales.

Revenue in the southern region slightly increased by 0.9% from SAR 61.0 million in the three-month period ending 31 March 2020G, to SAR 61.6 million in the three-month period ending 31 March 2021G due to a SAR 1.3 million increase in retail revenue from SAR 21.1 million to SAR 22.4 million over the same period.

Northern region

Revenue in the northern region was mainly generated by wholesale (55.7%), retail (29.2%), and the food service (15.1%) channels in 2018G, 2019G, and 2020G, primarily from the branches of Tabuk, Hail, and Sakaka.

Revenue in the northern region decreased by 3.8% from SAR 241.2 million in 2018G to SAR 231.9 million in 2019G as whole chicken revenue decreased by 16.4 million from SAR 145.4 million in 2018G to SAR 129.0 million in 2019G. This decrease was partially offset by a SAR 6.1 million increase in frozen fruits and potatoes revenue from SAR 12.8 million in 2018G to SAR 18.9 million in 2019G.

Revenue in the northern region increased by 4.4% to SAR 242.2 million in 2020G reflecting the increases in wholesale, retail, and food service revenue.

Revenue in the northern region decreased by 14.6% from SAR 67.4 million in the three-month period ending 31 March 2020G to SAR 57.5 million in the three-month period ending 31 March 2021G due to a SAR 12.8 million decrease in wholesale revenue from SAR 36.8 million to SAR 24.0 million over the same period.

6.6.1.4 Revenue by customer

Table (6-6): Revenue by customer for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G.

SAR in thousands	Fiscal year 2018G (Management information)	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Customer 1	198,188	153,261	185,152	(22.7%)	20.8%	(3.3%)	54,037	56,868	5.2%
Customer 2	156,596	137,251	158,010	(12.4%)	15.1%	0.5%	47,314	46,243	(2.3%)
Customer 3	49,798	40,175	53,449	(19.3%)	33.0%	3.6%	16,615	14,351	(13.6%)
Customer 4	29,955	36,041	49,022	20.3%	36.0%	27.9%	13,987	11,242	(19.6%)
Customer 5	21,872	23,178	31,391	6.0%	35.4%	19.8%	7,991	9,022	12.9%
Customer 6	5,017	14,006	18,825	179.2%	34.4%	93.7%	4,069	7,675	88.6%
Customer 7	21,035	22,597	33,201	7.4%	46.9%	25.6%	7,816	7,230	(7.5%)
Customer 8	18,170	23,826	25,051	31.1%	5.1%	17.4%	7,239	6,984	(3.5%)
Customer 9	6,820	17,681	21,104	159.3%	19.4%	75.9%	5,272	6,681	26.7%
Customer 10	15,375	13,697	20,434	(10.9%)	49.2%	15.3%	4,137	6,512	57.4%
Other customers	1,970,652	1,929,540	1,935,712	(2.1%)	0.3%	(0.9%)	517,507	453,612	(12.3%)
Total revenue	**2,493,477**	**2,411,253**	**2,531,351**	**(3.3%)**	**5.0%**	**0.8%**	**685,983**	**626,421**	**(8.7%)**
Storage revenue	3,868	7,808	7,103	101.9%	(9.0%)	35.5%	1,595	1,634	2.4%
Net revenue	**2,497,345**	**2,419,060**	**2,538,454**	**(3.1%)**	**4.9%**	**0.8%**	**687,579**	**628,055**	**(8.7%)**

Source: Management information.

Revenue from the top 10 customers comprised 21.0% of total revenue in 2018G, 20.0% in 2019G, and 23.5% in 2020G.

Revenue from the top ten customers comprised 24.6% of total revenue in the three-month period ending 31 March 2020G and 27.6% in the three-month period ending 31 March 2021G.

6.6.1.5 Cost of revenue

Table (6-7): Cost of revenue for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G.

SAR in thousands	Fiscal year 2018G (Management information)	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Goods related expenses	1,836,011	1,826,988	1,805,955	0.1%	(1.7%)	(0.8%)	493,121	465,545	(5.6%)
Transportation costs	243,326	230,969	222,146	(5.1%)	(3.8%)	(4.5%)	51,504	55,805	8.3%

SAR in thousands	Fiscal year 2018G (Management information)	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Factory costs	30,571	36,239	48,255	18.5%	33.2%	25.6%	10,331	11,545	11.7%
Purchases	**2,109,908**	**2,104,196**	**2,076,356**	**(0.3%)**	**(1.3%)**	**(0.8%)**	**554,956**	**532,895**	**(4.0%)**
Supplier discount	(21,957)	(17,582)	(24,898)	(19.9%)	41.6%	6.5%	(5,858)	(2,268)	(61.3%)
Differences in foreign currency conversions	(2,748)	(2,395)	3,301	(12.8%)	(237.8%)	-	-	-	-
Other expenses	273	191	(432)	(30.0%)	(326.2%)	nm	370	(13)	nm
Total	**2,085,476**	**2,084,410**	**2,054,327**	**(0.1%)**	**(1.4%)**	**(0.7%)**	**549,468**	**530,615**	**(3.4%)**
KPIs									
Purchases made in US dollars	1,786,742	1,762,279	1,662,340	(1.4%)	(5.7%)	(3.5%)	429,665	379,883	(11.6%)
As a percentage of total purchases	84.7%	83.7%	80.1%	(3.6)	(3.9)	7.6	78.4%	76.0%	(2.3)
Purchases made in other foreign currencies	297,334	383,931	464,099	29.1%	20.9%	24.9%	118,632	119,649	0.9%
As a percentage of total purchases	14.1%	18.2%	22.4%	3.6	3.9	7.6	21.6%	24.0%	2.3
As a percentage of revenue									
Purchases	84.5%	87.0%	81.8%	2.5	(5.2)	(2.7)	80.8%	84.8%	4.1
Supplier discount	0.9%	0.7%	1.0%	(0.2)	0.3	0.1	0.9%	0.4%	(0.5)
Differences in foreign currency conversions	(0.1%)	(0.1%)	0.1%	0.0	0.2	0.2	-	-	-
Total	**83.5%**	**86.2%**	**80.9%**	**2.7**	**(5.3)**	**(2.6)**	**79.9%**	**84.5%**	**4.6**

Source: Management information.

Purchases

Almunajem Foods Company has international and local suppliers and applies the terms of the supply agreement under the provisions of international trade, such as the terms of cost, insurance, and freight (CIF) to the port of destination, or cost and freight (CFR) to secure goods until they reach the port (in the eastern or western regions). The Company's relationships with other suppliers are based on purchase orders instead of contracts, thus providing it with more flexibility given its distribution and logistics capabilities without committing to specific suppliers under agreements that may restrict its flexibility.

Purchases totaled SAR 2,104.4 million in 2019G and included the cost of purchasing goods (87.3%, SAR 1,837.0 million), the cost of transporting goods to the Company's branches (11.0%, SAR 231.0 million), costs related to the Company's meat production plant (1.7%, SAR 36.2 million).

Purchases decreased by 0.3% from SAR 2,110.0 million in 2018G to SAR 2,104.2 million in 2019G due to a decrease in Doux purchases from SAR 458.4 million to SAR 398.6 million over the same period. Purchases made in US dollars represented 85.7% and 82.1% of total purchases in 2018G and 2019G respectively, whereas purchases made in other foreign currencies represented 14.3% and 17.9% of total purchases in 2018G and 2019G, respectively.

Purchases decreased by 1.3% to SAR 2,076.4 million in 2020G due to COVID-19 restrictions that were imposed in the Company's importing countries. As such, purchases made in US dollars decreased to 78.2% of total purchases and purchases made in other foreign currencies decreased to 21.8%. Despite that, the Company's efforts in inventory management and securing goods contributed to an increase in revenue. The Company manages inventory efficiently by maintaining a reserve stock to face any unexpected increases in sales or any unexpected delays from suppliers. The reserve stock is often sufficient to cover about six weeks of revenue and typically consists of frozen products with a shelf life of about one year.

Purchases decreased by 4.0% from SAR 555.0 million in the three-month period ending 31 March 2020G to SAR 532.9 million in the three-month period ending 31 March 2021G due to 1) a decline in the purchases of Brazilian whole chicken due to market factors, 2) a decrease in meat purchases due to lower supply of New Zealand meat to the Saudi market after the surge in demand from East Asian markets and the increase in prices, and 3) a decrease in Turkish labneh purchases resulting from the public boycott of Turkish products.

Purchases made in US dollars represented 78.4% and 76.0% of total purchases in the three-month periods ending 31 March 2020G and 2021G, respectively. Purchases made in other foreign currencies represented 21.6% and 24.0% of total purchases in the three-month periods ending 31 March 2020G and 2021G, respectively.

Supplier discounts

A supplier discount is a percentage of the product cost provided by the supplier (in the form of additional quantities or a cash discount depending on each supplier's agreement) for the Company's use in promoting the products or reducing the cost of purchases. Discounts from the top 5 suppliers accounted for 86%, 85%, and 94% of total supplier discounts in 2018G, 2019G, and 2020G respectively. Supplier discounts decreased by 19.9% from SAR 21.9 million in 2018G to SAR 17.6 million in 2019G due to a SAR 2.7 million decline in the discounts granted by Dania Foods and a SAR 1.5 million decrease in the discounts granted by Arla Foods as the Company receives dairy products from these two companies. These decreases were partially offset by a SAR 3.6 million increase in discounts granted by the United Food Industries Corporation that started supplying the Company with dairy products in 2019G.

Supplier discounts increased by 41.6% to SAR 24.9 million in 2020G due to the increase in discounts from the United Food Industries Corporation as the Company's purchases of dairy products increased as well.

Supplier discounts decreased by 61.3% from SAR 5.9 million in the three-month period ending 31 March 2020G, to SAR 2.3 million in the three-month period ending 31 March 2021G, due to the decline in the discounts granted by a Turkish brand because of low demand.

Differences in foreign currency conversions

Differences in foreign currency conversions are the differences between the exchange rate used at the time of recording the purchase invoice in the Company's systems, and the actual exchange rate used by the bank at the time of paying the purchase invoice. The Company imports most of its products from suppliers located outside Saudi Arabia and usually pays them in their local currency. The Company's purchases were predominantly in US dollars in the mentioned periods. The Company does not hedge against foreign exchange risks and is therefore exposed to foreign exchange fluctuations primarily in the Euro currency. Gains from differences in foreign currency conversions amounted to SAR 2.7 million in 2018G and SAR 2.4 million in 2019G. Losses from differences in foreign currency conversions totaled SAR 3.3 million in 2020G.

Other expenses

Other expenses mainly pertain to the differences between the value of goods received and the value of these goods as per the purchase orders. Moreover, other expenses included the differences resulting from the conversion of reporting standards from IFRS for SMEs (Small and Medium-sized Entities) to full IFRS.

Other expenses amounted to SAR 273 thousand in 2018G, SAR 191 thousand in 2019G and SAR 432 thousand in 2020G. These included variances related to the full IFRS adoption which amounted to SAR 43 thousand in 2018G and SAR 50 thousand in 2019G.

Other expenses amounted to SAR 370 thousand in the three-month period ending 31 March 2020G and SAR 13 thousand in the three-month period ending 31 March 2021G.

6.6.1.6 Gross profit by product

Table (6-8): Gross profit by product for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G.

SAR in thousands	Fiscal year 2018G (Management information)	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Red and white meat	255,793	147,488	247,091	(42.3%)	67.5%	(1.7%)	76,947	42,886	(44.3%)
Frozen vegetables and fruits	69,728	86,032	114,970	23.4%	33.6%	28.4%	26,242	28,907	10.2%
Dairy products	38,271	36,816	54,340	(3.8%)	47.6%	19.2%	12,290	8,047	(34.5%)
Oil and olive products	41,985	54,059	55,823	28.8%	3.3%	15.3%	19,991	14,860	(25.7%)
Other products	2,224	2,447	4,800	10.0%	96.2%	46.9%	1,044	1,107	6.0%
Products' gross profit	**408,001**	**326,843**	**477,024**	**(19.9%)**	**45.9%**	**8.1%**	**136,515**	**95,806**	**(29.8%)**
Storage revenue gross profit	3,868	7,808	7,103				1,595	1,634	2.4%
Gross profit	**411,869**	**334,651**	**484,127**	**(18.7%)**	**44.7%**	**8.4%**	**138,110**	**97,440**	**(29.4%)**
Gross profit margin									
Red and white meat	15.7%	10.3%	17.0%	(5.4)	6.7	1.3	19.3%	12.4%	(6.9)
Frozen vegetables and fruits	21.9%	21.8%	26.5%	(0.2)	4.8	4.6	23.6%	24.2%	0.6
Dairy products	12.7%	11.6%	15.6%	(1.2)	4.0	2.8	13.5%	10.3%	(3.2)
Oil and olive products	18.6%	22.9%	21.3%	4.3	(1.7)	2.6	25.2%	19.4%	(5.9)
Other products	11.4%	10.2%	16.3%	(1.2)	6.1	4.9	15.9%	16.5%	0.6
Gross profit margin	**16.4%**	**13.6%**	**18.8%**	**(2.8)**	**5.3**	**2.5**	**19.9%**	**15.3%**	**(4.6)**

Source: Management information.

Red and white meat

Red and white meat products include the following:

- Poultry (whole chicken, chicken parts, and processed chicken) from brands such as Doux, Supreme, and Dari, which are purchased from a related party (France Poultry) and other international suppliers such as JBS, BRF, and Vibra. Some poultry products are sold under the "Dari" brand which is owned by the Company and distributed mainly in retail stores.
- Other poultry products consisted mainly of duck meat (circa 63%), other processed products (circa 21%), turkey meat (circa 9%), and quail meat (circa 7%) in 2018G, 2019G, and 2020G. The Company buys about half of these other poultry products from a related party (France Poultry) and the remainder from Germania (a Brazilian brand) mainly to import duck meat.
- Fish consisted mainly of Asmak products (Emirati brand) which the Company started importing in 2016G and Marietta tuna products which the Company started importing in 2019G.

- Red and ground meat that the Company distributes mainly through the wholesale and food service channels. Frozen and chilled meats are imported from New Zealand, Brazil, and Australia. It is worth noting that the frozen meat has a shelf life of about a year, while chilled meat has a shelf life of 100 days.

Red and white meat products gross profit decreased by 42.3% from SAR 255.8 million in 2018G to SAR 147.5 million in 2019G, and the gross profit margin decreased from 15.7% to 10.3% due to 1) a decline in the profit margin of poultry products sold to retail stores (supermarkets in particular) as a result of discounts, and 2) an increase in average costs caused by market factors related to the poultry industry, particularly Brazilian producers.

Red and white meat products gross profit increased by 67.5% to SAR 247.1 million in 2020G, and the gross profit margin increased to 17.0% due to a drop in the average cost per metric ton and the improvement of sale prices after a reduction of promotional discounts (particularly supermarkets).

Red and white meat products gross profit decreased by 44.3% from SAR 76.9 million in the three-month period ending 31 March 2020G to SAR 42.9 million in the three-month period ending 31 March 2021G and the gross profit margin decreased from 19.3% to 12.4% due to a decrease in the revenue of Brazilian whole chicken and Company owned brands because of market conditions which led to a decrease in average selling prices; in addition to a drop in red meat purchases due to the lower supply of New Zealand meat to the Saudi market and higher prices. Furthermore, the selling prices of meat products decreased as the market was negatively impacted by the significant decline in Hajj and Umrah pilgrims due to COVID-19.

Frozen vegetables and fruits

Frozen vegetables and fruits gross profit increased by 23.4% from SAR 69.7 million SAR in 2018G to SAR 86.0 million in 2019G due to the increase in frozen potatoes revenue by 35.1% as the Company secured new contracts to supply large-scale restaurants. The gross profit margin was relatively stable at 21.9% and 21.8% in 2018G and 2019G, respectively.

Frozen vegetables and fruits gross profit increased by 33.6% to SAR 115.0 million in 2020G and the gross profit margin increased to 26.5% due to the increase in vegetables and fruits revenue and the decrease in returns and discounts in the retail channel (particularly supermarkets).

Frozen vegetables and fruits gross profit increased by 10.2% from SAR 26.2 million in in the three-month period ending 31 March 2020G to SAR 28.9 million in the three-month period ending 31 March 2021G and the gross profit margin increased from 23.6% to 24.2%, due to the increase in fruits gross profit from SAR 5.7 million to SAR 11.2 million, driven primarily by the increased profits of the Dari and Montana brands.

Dairy products

Dairy products gross profit decreased by 3.8% from SAR 38.3 million in 2018G to SAR 36.8 million in 2019G and the gross profit margin decreased from 12.7% to 11.6% due to the increase in the average cost of Arla products in 2019G. It is worth mentioning that the Company signed an agreement in 2019G with Lactalis to distribute President products across all sales channels in Saudi Arabia.

Dairy products gross profit increased by 47.6% to SAR 54.3 million in 2020G and the gross profit margin increased to 15.6% due to the growth of President product sales after the Company replaced Arla products towards the end of 2019G.

Dairy products gross profit decreased by 34.5% from SAR 12.3 million in the three-month period ending 31 March 2020G to SAR 8.0 million in the three-month period ending 31 March 2021G, while the gross profit margin decreased from 13.5% to 10.3% due to the decline in Turkish labneh revenue after the cessation of imports from Turkey, which led to a decline in the quantities sold.

Oil and olive products

Oil and olive products gross profit increased by 28.8% from SAR 42.0 million in 2018G to SAR 54.1 million in 2019G and the gross profit margin increased from 18.6% to 22.9% due to the decrease in the cost of Coopoliva products and the increase in revenue over the same period.

Oil and olive products gross profit increased by 3.3% to SAR 55.8 million in 2020G due to an increase in retail and wholesale sales. Despite that, the gross profit margin decreased to 21.3% following an increase in the Euro exchange rate which resulted in an increase in the average cost of Coopoliva products.

Oil and olive products gross profit decreased by 25.7% from SAR 20.0 million in the three-month period ending 31 March 2020G to SAR 14.9 million in the three-month period ending 31 March 2021G while the gross profit margin decreased from 25.2% to 19.4%, as the Euro exchange rates increased against the Saudi Riyal.

Other products

Gross profit from other products increased by 10.0% from SAR 2.2 million in 2018G to SAR 2.4 million in 2019G while the gross profit margin decreased from 11.4% to 10.2% due to an increase in the average cost of rice products.

Gross profit from other products increased by 96.2% to SAR 4.8 million in 2020G and the gross profit margin increased to 16.3% driven by the introduction of a new product (imported eggs), as the Company began selling Tekley and Rana eggs upon the Saudi Government's decision to allow imported eggs between March to June 2020G. The increase in gross profit in 2020G was also driven by the decrease in the average cost of rice products which was offset by a drop in the average sale price of these products.

Gross profit from other products increased by 6.0% from SAR 1.0 million in the three-month period ending 31 March 2020G to SAR 1.1 million in the three-month period ending 31 March 2021G while the gross profit margin increased from 15.9% to 16.5% due to an increase in ketchup product revenue driven by an increase in the quantities sold.

6.6.1.7 Selling and distribution expenses

Table (6-9): Selling and distribution expenses for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G.

SAR in thousands	Fiscal year 2018G (Audited)	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Employee costs	93,407	92,371	107,015	(1.1%)	15.9%	7.0%	25,970	26,232	1.0%
Marketing expenses	23,111	25,997	31,221	12.5%	20.1%	16.2%	6,252	8,164	30.6%
Depreciation	22,871	24,729	24,966	8.1%	1.0%	4.5%	6,249	6,032	(3.5%)
Utilities	14,647	12,847	12,844	(12.3%)	(0.0%)	(6.4%)	2,868	2,875	0.3%
Sales commissions	12,491	12,130	11,865	(2.9%)	(2.2%)	(2.5%)	3,276	2,852	(13.0%)
Loading and unloading	10,609	11,563	10,717	9.0%	(7.3%)	0.5%	3,161	3,054	(3.4%)
Car operating expenses	8,226	8,506	7,913	3.4%	(7.0%)	(1.9%)	1,914	2,132	11.4%
Insurance	3,015	3,549	3,345	17.7%	(5.7%)	5.3%	849	822	(3.1%)
Allowance for ECL on trade receivables	2,057	1,034	2,182	(49.7%)	111.1%	3.0%	591	2,395	305.6%
Cold store maintenance	2,651	2,142	2,064	(19.2%)	(3.7%)	(11.8%)	413	563	36.3%
Rental expenses	4,702	4,285	1,477	(8.9%)	(65.5%)	(44.0%)	332	159	(52.1%)
Business travel expenses	1,520	1,417	1,105	(6.8%)	(22.0%)	(14.7%)	286	298	4.1%
Stationery and printing	976	731	691	(25.1%)	(5.5%)	(15.9%)	57	193	240.4%
Amortization	37	52	68	40.5%	30.8%	36.1%	14	47	227.2%

SAR in thousands	Fiscal year 2018G (Audited)	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Provisions for expected credit losses on other current financial assets	1,658	-	-	(100.0%)	-	-	-	-	-
Port reservation / Electricity costs	1,072	-	-	(100.0%)	-	-	465	341	(26.6%)
Other expenses	4,192	2,138	8,389	(49.0%)	292.4%	41.5%	787	1,117	41.9%
Total	**207,241**	**203,491**	**225,860**	**(1.8%)**	**11.0%**	**4.4%**	**53,484**	**57,276**	**7.1%**
KPIs									
Number of employees including contractual employees (recruited through recruitment agencies)	1,723	1,643	1,683	(80.0)	40	(40)	1,690	1,672	(18)
As a percentage of total revenue									
Employee costs	3.7%	3.8%	4.2%	0.1	0.4	0.5	3.8%	4.2%	0.4
Marketing expenses	0.9%	1.1%	1.2%	0.1	0.2	0.3	0.9%	1.3%	0.4
Depreciation	0.9%	1.0%	1.0%	0.1	(0.0)	0.1	0.9%	1.0%	0.1
Utilities	0.6%	0.5%	0.5%	(0.1)	(0.0)	(0.1)	0.4%	0.5%	(0.1)
Sales commissions	0.5%	0.5%	0.5%	0.0	(0.0)	(0.0)	0.5%	0.5%	0.0
Loading and unloading	0.4%	0.5%	0.4%	0.1	(0.1)	(0.0)	0.5%	0.5%	0.0
Car operating expenses	0.3%	0.4%	0.3%	0.0	(0.0)	(0.0)	0.3%	0.4%	0.0
Insurance	0.1%	0.1%	0.1%	0.0	(0.0)	0.0	0.1%	0.1%	0.0
Allowance for EC on trade receivables	0.1%	0.0%	0.1%	(0.0)	0.0	0.0	0.1%	0.4%	0.3
Cold store maintenance	0.1%	0.1%	0.1%	(0.0)	(0.0)	(0.0)	0.1%	0.1%	0.0
Rental expenses	0.2%	0.1%	0.0%	(0.1)	(0.0)	(0.2)	0.0%	0.1%	0.1
Business travel	0.1%	0.1%	0.0%	(0.0)	(0.0)	(0.1)	0.0%	0.0%	0.0
Stationery and printing	0.0%	0.0%	0.0%	(0.0)	(0.0)	(0.0)	0.0%	0.0%	0.0
Amortization	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0%	0.0%	0.0
Provisions for expected credit losses on other current financial assets	0.1%	0.0%	0.0%	(0.1)	-	(0.1)	0.0%	0.0%	0.0

SAR in thousands	Fiscal year 2018G (Audited)	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Port reservation / Electricity costs	0.0%	0.0%	0.0%	(0.0)	-	(0.0)	0.1%	0.1%	0.0
Other expenses	0.2%	0.2%	0.4%	0.0	0.2	0.2	0.1%	0.1%	0.1
Total	**8.3%**	**8.4%**	**8.9%**	**0.1**	**0.5**	**0.6**	**7.8%**	**9.1%**	**1.3**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, the reviewed financial statements for the three-month period ending 31 March 2021G, and Management information.

Employee costs

Employee costs include basic salaries for the selling and distribution employees, the fees of contractual employees (from recruitment agencies), housing allowances, Government fees, medical insurance fees, bonuses, and other relevant costs and benefits.

Employee costs decreased by 1.1% from SAR 93.4 million in 2018G to SAR 92.4 million in 2019G due to the decrease in the number of employees from 1,723 to 1,643 employees. Employee costs as a percentage of revenue increased to 3.8%.

Employee costs increased by 15.9% to SAR 107.0 million in 2020G, due to an increase in basic salaries for Company employees and contractual employees (from recruitment agencies), an increase in government fees related to expatriate workers (fees for residence card renewals), and an increase in bonuses from SAR 2.9 million to SAR 4.9 million in line with the growth in revenue and profit over the same period.

Employee costs increased by 1.0% from SAR 26.0 million in the three-month period ending 31 March 2020G to SAR 26.2 million in the three-month period ending 31 March 2021G as the number of employees increased by 18 employees.

Marketing expenses

Marketing expenses consist of advertising and marketing campaigns, especially for Doux, Dari, Montana, Coopoliva, President, Lamb Weston (frozen potatoes), as well as for fish and other brands. About 47.8% of all marketing expenses were for Doux products. It is worth noting that the Company covered 25.0% of marketing expenses for Doux prior to 2018G, according to the franchise agreement concluded with the Doux Group at the time. However, commencing mid-2018G when France Poultry was established, the Company began incurring all marketing expenses for Doux. Doux products represent circa 25% of the Company's sales and possess a leading market share when compared to competitors.

Marketing expenses increased by 12.5% from SAR 23.1 million in 2018G to SAR 26.0 million in 2019G mainly due to the increase in the marketing costs of Doux, after the Company started bearing 100% of these costs in 2019G. Consequently, marketing expenses as a percentage of revenue increased to 1.1% in 2019G.

Marketing expenses increased by 20.1% to SAR 31.2 million in 2020G following an increase in marketing costs for Montana products, as the Company started bearing 100.0% of these costs after one of Montana's suppliers failed to market them directly in the Saudi market due to a delay in meeting some requirements of the Saudi Food and Drug Authority. The Company also started marketing for President products that it commenced distributing during the same period.

Marketing expenses increased by 30.6% from SAR 6.3 million in the three-month period ending 31 March 2020G, to SAR 8.2 million in the three-month period ending 31 March 2021G due to the increase in advertising campaigns, as there were not many campaigns in the three-month period ending 31 March 2020G because of the pandemic during the period.

Depreciation

Depreciation expenses are related mainly to trucks, buildings, cold stores, and other assets. Depreciation expenses increased by 8.1% from SAR 22.9 million in 2018G to SAR 24.7 million in 2019G, due to an increase in depreciation expenses related to handling and operating equipment and the depreciation of trucks purchased during the previous year. The Company's transport fleet (sedan cars and trucks) consisted of 779 vehicles in 2019G. Depreciation expenses increased to 1.0% of total revenue in 2019G.

Depreciation expenses increased by 1.0% to SAR 25.0 million following an increase in the depreciation expenses of buildings and cars.

Depreciation expenses decreased by 3.5% from SAR 6.2 million in the three-month period ending 31 March 2020G to SAR 6.0 million in the three-month period ending 31 March 2021G as depreciation expenses related to buildings and trucks declined because of disposals.

Utilities

Utility expenses consist mainly of electricity, telecommunications, water, and other utilities, with electricity representing the majority of utility expenses in 2018G, 2019G, and 2020G. Utility expenses decreased by 12.3% from SAR 14.6 million in 2018G to SAR 12.8 million in 2019G due to the drop in electricity, telecommunications, and water expenses as a result of the temporary closure of the Buraidah branch following the 2018G fire. Utility expenses as a percentage of total revenue decreased from 0.6% to 0.5% in 2019G.

Utility expenses remained stable at SAR 12.8 million in 2020G.

Utility expenses were relatively stable at SAR 2.9 million in the three-month periods ending 31 March 2020G and 2021G.

Sales commissions

Sales commissions pertain to achieving sales targets and collecting receivables by the Company's sales employees. Sales commissions are calculated based on several sales factors (such as transaction's size, transaction's geographical location, customer's size, and product type).

Sales commissions decreased by 2.9% from SAR 12.5 million in 2018G to SAR 12.1 million in 2019G, following the decline in total revenue. Sale commissions as a percentage of total revenue remained stable at 0.5% in 2018G and 2019G.

Sales commissions decreased by 2.2% to SAR 11.9 million in 2020G yet remained stable at 0.5% as a percentage of total sales.

Sales commission decreased by 13.0% from SAR 3.3 million in the three-month period ending 31 March 2020G to SAR 2.9 million in the three-month period ending 31 March 2021G in line with the decrease in total revenue, however, sales commission as a percentage of revenue remained stable at 0.5% of total revenue over the same period.

Loading and unloading

Loading and unloading expenses are the costs of delivery and unloading for customers and between branches, as well as the costs of the utilized wooden pallets. Loading and unloading expenses increased by 9.0% from SAR 10.6 million in 2018G to SAR 11.6 million in 2019G due to the increase in customer delivery costs between branches. After the 2018G Buraidah fire, the Company served the Buraidah branch's customers by directly sending products from Riyadh to Buraidah. Additionally, the Company rented a temporary branch in Buraidah and supplied it with products from different branches, thus resulting in an increase in delivery and transport expenses.

Loading and unloading expenses decreased by 7.3% to SAR 10.7 million in 2020G due to a drop in delivery costs to its customers after the Company opened its new Buraidah branch and ceased delivering its customers directly from Riyadh because of the 2018G fire.

Loading and unloading expenses decreased by 3.4% from SAR 3.2 million in the three-month period ending 31 March 2020G, to SAR 3.1 million in the three-month period ending 31 March 2021G, due to the decrease in deliveries and loading operations in line with the decrease in total revenue.

Car operating expenses

Car operating expenses include fuel, oil changes, and maintenance for the Company's vehicles. Car operating expenses increased by 3.4% from SAR 8.2 million in 2018G to SAR 8.5 million in 2019G due to the increase in fuel expenses during that period.

Car operating expenses decreased by 7.0% to SAR 7.9 million in 2020G as a result of COVID-19 precautions, including the partial and total lockdowns imposed which decreased the usage of cars and therefore fuel consumption and other expenses related to operating cars.

Car operating expenses increased by 11.4% from SAR 1.9 million in in the three-month period ending 31 March 2020G to SAR 2.1 million in the three-month period ending 31 March 2021G due to a SAR 114 thousand increase in maintenance expenses in line with maintenance needs and a SAR 69 thousand increase in fuel expenses due to increasing fuel prices.

Insurance

Insurance expenses relate to car, fire, and general accident insurance. Insurance expenses increased by 17.7% from SAR 3.0 million in 2018G to SAR 3.5 million in 2019G due to the fire that broke out in Buraidah's branch in 2018G which led to an increase in the cost of the insurance policy for 2019G.

Insurance expenses remained stable at circa SAR 3.3 million in 2020G.

Insurance expenses decreased by 3.1% from SAR 849 thousand in the three-month period ending 31 March 2020G to SAR 822 thousand in the three-month period ending 31 March 2021G due to the declining car insurance expenses.

Allowance for ECL on trade receivables

The Company applies the simplified expected credit loss ("ECL") model. Accordingly, the Company does not track changes in credit risk but instead recognizes a provision based on the expected credit losses in accounts receivable at the reporting date. The Company established a provisioning matrix based on its past history of credit losses, which is adjusted for future factors specific to debtors and the economic environment.

Allowance for ECL on trade receivables decreased by 49.7% from SAR 2.1 million in 2018G to SAR 1.0 million in 2019G.

Allowance for ECL on trade receivables increased by 111.1% to SAR 2.2 million in 2020G based on the actuarial valuation.

Allowance for ECL on trade receivables increased by 305.6% from SAR 591 thousand in the three-month period ending 31 March 2020G to SAR 2.4 million in the three-month period ending 31 March 2021G based on the credit provision policy.

Cold store maintenance expenses

Cold store maintenance expenses include refrigerator repairs and cold rooms maintenance. Cold store maintenance expenses decreased by 19.2% from SAR 2.7 million in 2018G to SAR 2.1 million in 2019G due to the decrease in cold rooms maintenance expenses during that period. Cold store maintenance expenses remained stable at SAR 2.1 million in 2020G. It should be noted that maintenance related expenses fluctuate based on the Company's maintenance needs in each period.

Cold store maintenance expenses increased by 36.3% from SAR 413 thousand in the three-month period ending 31 March 2020G to SAR 563 thousand in the three-month period ending 31 March 2021G due to the increase in cold stores maintenance needs.

Rental expenses

Short-term rental expenses pertain to car rentals for the Company's sales and distribution operations. Rental expenses decreased from 4.7 million in 2018G to SAR 4.3 million in 2019G and then to SAR 1.5 million in 2020G as a result of the Company's adoption of IFRS 16 in 2019G.

Rental expenses decreased by 52.1% from SAR 332 thousand in the three-month period ending 31 March 2020G to SAR 159 thousand in the three-month period ending 31 March 2021G due to the rental of a replacement refrigerator for the Buraidah branch until February 2020G amounting to SAR 140 thousand.

Business travel expenses

Business travel expenses are the costs of business trips (mainly domestic ones) by employees, and include airline tickets, hotel accommodation, and travel allowances. Business travel expenses decreased by 6.8% from SAR 1.5 million in 2018G to SAR 1.4 million in 2019G due to the decline in domestic trips by the Company's employees. Business travel expenses decreased by 22.0% to SAR 1.1 million in 2020G due to the decline in business trips during the pandemic.

Business travel expenses increased by 4.1% from SAR 286 thousand in the three-month period ending 31 March 2020G to SAR 298 thousand the three-month period ending 31 March 2021G as travel restrictions were lifted, thus leading to an increase in trips and domestic travel expenses.

Stationery and printing

Stationery and printing expenses include the costs of paper, ink, and other stationery. Stationery and printing expenses decreased by 25.1% from SAR 976 thousand in 2018G to SAR 731 thousand in 2019G due to the declining printing expenses which continued to decrease to SAR 691 thousand in 2020G.

Stationery and printing expenses increased by 240.4% from SAR 57 thousand in the three-month period ending 31 March 2020G to SAR 193 thousand in the three-month period ending 31 March 2021G because of a SAR 93 thousand increase in printing expenses after the change of the Company's logo and the ensuing changes in commercial prints, in addition to printer ink expenses, which amounted to SAR 31 thousand in the same period.

Amortization

Amortization expenses pertain to intangible assets such as information technology software used by the Company. Amortization expenses increased by 40.5% from SAR 37 thousand in 2018G to SAR 52 thousand in 2019G and continued to increase to SAR 68 thousand in 2020G as new IT software were added in that period.

Amortization expenses increased by 227.2% from SAR 14 thousand in the three-month period ending 31 March 2020G to SAR 47 thousand in the three-month period ending 31 March 2021G due to additions related to information technology software.

Provisions for expected credit losses on other current financial assets

Provisions for expected credit losses on other current financial assets totaled SAR 1.7 million in 2018G and were related to a supplier's claim for its share in marketing costs. The Company wrote off the entire amount of the claim because these were deemed doubtful.

Port detention/electric charges

Port detention/electric charges consist of storage and electricity fees at the port in addition to demurrage fees for container leasing companies. Port detention/electric charges amounted to SAR 1.1 million in 2081G. These costs were reclassified into general and administrative expenses in 2019G.

Port detention/electric charges decreased by 26.6% from SAR 465 thousand in the three-month period ending 31 March 2020G to SAR 341 thousand in the three-month period ending 31 March 2021G due to a SAR 205 thousand decrease in electricity and storage expenses, which was partially offset by a SAR 69 thousand increase in fees on the weight of goods in transit.

Other expenses

Other expenses relate to warehouse rent and costs related to moving cash from branches to banks. Other expenses decreased by 49.0% from SAR 4.2 million in 2018G to SAR 2.1 million in 2019G in line with the decrease in lease expenses following the Company's adoption of IFRS 16.

Other expenses increased by 292.4% to SAR 8.4 million in 2020G due to the increase in excise non-refundable tax expenses from SAR 251 thousand to SAR 3.9 million during the same period. These expenses are non-recurring as the Company ceased importing products containing sugar. The Company has also submitted an objection to the Zakat, Tax and Customs Authority regarding the paid amounts but has not received a response as of the date of the Prospectus.

Other expenses increased by 41.9% from SAR 787 thousand in the three-month period ending 31 March 2020G, to SAR 1.1 million in the three-month period ending 31 March 2021G, due to a SAR 99 thousand increase in non-refundable value-added tax.

6.6.1.8 General and administrative expenses

Table (6-10): General and administrative expenses for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G.

SAR in thousands	Fiscal year 2018G (Audited)	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Employee costs	12,670	13,926	15,452	9.9%	11.0%	10.4%	4,002	3,619	(9.6%)
Port detention/ electric charges	-	2,478	2,505	-	1.1%	-	-	-	-
Amortization	1,841	1,190	1,282	(35.4%)	7.7%	(16.6%)	319	337	5.7%
Bank charges	1,202	1,100	986	(8.5%)	(10.4%)	(9.4%)	282	289	2.4%
Utilities	655	592	721	(9.6%)	21.8%	4.9%	175	180	3.1%
Depreciation	663	322	413	(51.4%)	28.3%	(21.1%)	104	108	3.7%
Professional fees	408	285	308	(30.1%)	8.1%	(13.2%)	78	233	198.7%
Repair and maintenance	176	182	350	3.4%	92.3%	41.0%	76	80	4.8%
Transportation and travel	181	164	73	(9.4%)	(55.5%)	(36.4%)	17	8	(52.1%)
Other expenses	2,457	1,489	917	(39.4%)	(38.4%)	(38.9%)	258	110	(57.1%)
Total general and administrative expenses	**20,253**	**21,728**	**23,007**	**7.3%**	**5.9%**	**6.6%**	**5,310**	**4,965**	**(6.5%)**
KPIs									
Number of employees including contractual employees (recruited through recruitment agencies)	88	88	87	-	(1)	(1)	92	93	1
As a percentage of total revenue									
Employee costs	0.5%	0.6%	0.6%	0.1	0.0	0.1	0.6%	0.6%	0.0
Port detonation/ electric charges	0.0%	0.1%	0.1%	0.1	(0.0)	0.1	0.0%	0.0%	0.0
Amortization	0.1%	0.0%	0.1%	(0.0)	0.0	(0.0)	0.0%	0.1%	0.1
Bank charges	0.0%	0.0%	0.0%	(0.0)	(0.0)	(0.0)	0.0%	0.0%	0.0
Utilities	0.0%	0.0%	0.0%	(0.0)	0.0	0.0	0.0%	0.0%	0.0
Depreciation	0.0%	0.0%	0.0%	(0.0)	0.0	(0.0)	0.0%	0.0%	0.0
Professional fees	0.0%	0.0%	0.0%	(0.0)	0.0	(0.0)	0.0%	0.0%	0.0
Repair and maintenance	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0%	0.0%	0.0

SAR in thousands	Fiscal year 2018G (Audited)	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Transportation and travel	0.0%	0.0%	0.0%	(0.0)	(0.0)	(0.0)	0.0%	0.0%	0.0
Other expenses	0.1%	0.1%	0.0%	(0.0)	(0.0)	(0.1)	0.0%	00.0%	0.0
Total	**0.8%**	**0.9%**	**0.9%**	**0.1**	**0.0**	**0.1**	**0.8%**	**0.8%**	**0.0**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, the reviewed financial statements for the three-month period ending 31 March 202, and Management information.

Employee costs

Employee costs include basic salaries for management and administrative employees, the fees of contractual employees (recruited through recruitment agencies), housing allowances, government fees, medical insurance, bonuses, and other costs and benefits.

Employee costs increased by 9.9% from SAR 12.7 million in 2018G to SAR 13.9 million in 2019G as the support received from the Human Resources Development Fund (HRDF) for employing Saudi nationals decreased from SAR 340 thousand in 2018G to SAR 11 thousand in 2019G. Employee costs as a percentage of total revenue increased from 0.5% to 0.6%.

Employee costs increased by 11.0% to SAR 15.5 million in 2020G due to an increase in government fees related to expatriate labor (fees for residence card renewals), as well as an increase in bonuses from SAR 1.0 million to SAR 1.6 million as the Company's revenue and profit also increased.

Employee costs decreased by 9.6% from SAR 4.0 million in the three-month period ending 31 March 2020G to SAR 3.6 million in the three-month period ending 31 March 2021G due to a SAR 282 thousand decline in bonuses and incentives following a decrease in sales and profits, and a SAR 106 thousand decline in the amounts received from the HRDF.

Port detention/electric charges

Port detention/electric charges consist of storage and electricity fees at the port in addition to demurrage fees for container leasing companies. This was reclassified into general and administrative expenses in 2019G. Port detention/electric charges remained stable at SAR 2.5 million in 2020G despite the increase in storage and electricity costs at the port, as this was offset by a decrease in demurrage charges as a result of a government initiative to reduce the impact of the pandemic.

Amortization

Amortization expenses pertain to intangible assets namely Oracle software licenses. Amortization expenses decreased by 35.4% from SAR 1.8 million in 2018G to SAR 1.2 million in 2019G due to the full amortization of Oracle and other IT programs.

Amortization expenses increased by 7.7% to SAR 1.3 million in 2020G due to SAR 610 thousand in additions to intangible assets related to Oracle and other IT programs.

Amortization expenses increased by 5.7% from SAR 319 thousand in the three-month period ending 31 March 2020G to SAR 337 thousand in the three-month period ending 31 March 2021G driven by additions related to Oracle and other IT programs.

Bank charges

Bank charges pertain to cash against documents (CAD) used by the Company for its importing activity. Bank charges decreased by 8.5% from SAR 1.2 million in 2018G to SAR 1.1 million in 2019G. It should be noted that these charges do not include any bank interest. Bank charges further decreased by 10.4% to SAR 1.0 million in 2020G.

Bank charges amounted to SAR 289 thousand in the three-month period ending 31 March 2020G and SAR 282 thousand the three-month period ending 31 March 2021G.

Utilities

Utility expenses pertain to the costs of telecommunications, internet, electricity, and water amongst others. Utility expenses decreased by 9.6% from SAR 655 thousand in 2018G to SAR 592 thousand in 2019G due to the decrease in telecommunication and internet expenses which was offset by an increase in water and postal expenses.

Utility expenses increased by 21.8% to SAR 721 thousand in 2020G in line with the increase in internet expenses resulting from the adoption of remote work as a preventative measure against COVID-19. This increase was offset by a decrease in electricity and water expenses.

Utility expenses amounted to SAR 185 thousand in the three-month period ending 31 March 2020G compared to SAR 180 thousand in the three-month period ending 31 March 2021G.

Depreciation

Depreciation expenses relate mainly to the depreciation of computers and office furniture and fixture as well as leasehold improvements. Depreciation expenses declined by 51.4% from SAR 663 thousand in 2018G to SAR 322 thousand in 2019G due to a decrease in the depreciation of furniture by SAR 123 thousand, fittings by SAR 145 thousand, and appliances by SAR 45 thousand.

Depreciation expenses increased by 28.3% to SAR 413 thousand in 2020G due to an increase in leasehold improvements.

Depreciation expenses increased by 3.7% from SAR 104 thousand in the three-month period ending 31 March 2020G to SAR 108 thousand in the three-month period ending 31 March 2021G due to an increase in computers' depreciation expenses.

Professional fees

Professional fees pertain to external consultants and auditors' expenses. Professional fees decreased by 30.1% from SAR 408 thousand in 2018G to SAR 285 thousand in 2019G as the Company appointed external consultants in 2018G to assist with the transition from the accounting standards that are generally accepted in Saudi Arabia (SOCPA) to the International Financial Reporting Standards (IFRS).

Professional fees increased by 8.1% to SAR 308 thousand in 2020G due to an increase in professional fees for annual audits and to the issuance of reviewed financial statements for the period ending 30 September 2020G.

Professional fees increased by 198.7%, from SAR 78 thousand in the three-month period ending 31 March 2020G to SAR 233 thousand in the three-month period ending 31 March 2021G, after having financial statements reviewed by the external auditors for the first quarter of 2021G which was not required in the three-month period ending 31 March 2020G.

Repair and maintenance

Repair and maintenance expenses pertain to the maintenance of software applications and security systems, amongst others. Repair and maintenance expenses increased by 3.4% from SAR 176 thousand in 2018G to SAR 182 thousand in 2019G due to the increase in software maintenance expenses.

Repair and maintenance expenses increased by 92.3% to SAR 350 thousand in 2020G due to the increase in software maintenance expenses during that period.

Repair and maintenance expenses increased by 4.8% from SAR 76 thousand in the three-month period ending 31 March 2020G to SAR 80 thousand in the three-month period ending 31 March 2021G due to the increase in software maintenance expenses during that period.

Transportation and travel

Transportation and travel expenses are related to domestic business trips between regions, travel allowances, and transportation. Transportation and travel expenses decreased by 9.4% from SAR 181 thousand in 2018G to SAR 164 thousand in 2019G. It should be noted that transportation and travel expenses were reclassified into general and administrative expenses in 2019G and 2020G.

Transportation expenses decreased by 52.1% from SAR 17 thousand in the three-month period ending 31 March 2020G to SAR 8 thousand in the three-month period ending 31 March 2021G because of the decline in domestic business trips due to COVID-19 and the Company's reliance on virtual meetings.

Other expenses

Other expenses include technical support for the Company's systems, expenses of leased vehicles, administrative expenses, government licenses, insurance fees, subscriptions, stationery and printing costs, and expenses of other shared services where the Company has shared employees with related parties.

Other expenses decreased by 39.4% from SAR 2.5 million in 2018G to SAR 1.5 million in 2019G due to a decrease in the expenses of shared services (such as shared employees).

Other expenses decreased by 38.4% to SAR 917 thousand in 2020G driven by the decrease in technical support, travel expenses, and fines.

Other expenses decreased by 57.1% from SAR 258 thousand in the three-month period ending 31 March 2020G to SAR 110 thousand in the three-month period ending 31 March 2021G due to a SAR 14 thousand decrease in hospitality expenses.

6.6.1.9 Other revenue (expenses), net

Table (6-11): Other revenue (expenses), net for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G.

SAR in thousands	Fiscal year 2018G (Audited)	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Gains from contingent assets	2,437	-	10,250	(100.0%)	-	105.1%	-	-	-
Gains on disposal of property, plant, and equipment	604	3,658	3,120	505.6%	(14.7%)	127.3%	841	319	(62.0%)
Insurance claim	-	12,405	-	-	-	-	-	-	-
Fire losses	(25,884)	-	-	-	-	0.0%	-	-	-
Other income	232	1,387	967	497.8%	(30.3%)	104.4%	375	169	(54.9%)
Total other revenue (expenses), net	**(22,612)**	**17,449**	**14,338**	**(177.2%)**	**(17.8%)**	**-**	**1,216**	**488**	**(59.8%)**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, reviewed financial statements for the three-month period ending 31 March 2021G, and Management information.

Gains from contingent assets

Gains from contingent assets totaled SAR 2.4 million in 2018G from a court ruling to compensate the Company with regards to a contracting company's unloading wages which amounted to SAR 4.2 million partly offset by lawyer professional fees amounting to SAR 1.8 million in the same period. Gains from contingent assets amounted to SAR 10.3 million in 2020G and consisted of a compensation obtained through a court ruling from a local service company for service charges imposed without providing services between 2011G and 2017G, whereby this local service company has compensated the Company in the period 2020G.

Gains on the disposal of property, plant, and equipment

Net gains on the disposal of property, plant, and equipment amounted to SAR 604 thousand in 2018G, SAR 3.7 million in 2019G after disposing several vehicles and SAR 3.1 million in 2020G.

Net gains on the disposal of property, plant, and equipment totaled SAR 841 thousand in the three-month period ending 31 March 2020G and decreased to SAR 319 thousand in the three-month period ending 31 March 2020G.

Insurance claim

This insurance claim amounted to SAR 12.4 million for the Buraidah branch fire that broke out in 2018G whereby the insurance provider compensated the Company with the SAR 12.4 million in 2019G.

Fire losses

In 2018G, a fire broke out in the Buraidah branch causing SAR 25.9 million worth of losses related mainly to inventory (amounting to SAR 21.8 million) and property (amounting to SAR 4.1 million) that were written off. The Company submitted an insurance claim for SAR 12.2 million, (whereas SAR 12.4 million was subsequently collected) and recognized SAR 13.7 million worth of losses in 2018G.

Other income

Other income relates to income from leasing the old Dammam warehouse, scrap sales, and others. Other income increased from SAR 232 thousand in 2018G to SAR 1.4 million in 2019G and then decreased to SAR 967 thousand in 2020G.

Other income decreased from SAR 375 thousand in the three-month period ending 31 March 2020G to SAR 169 million in the three-month period ending 31 March 2021G.

6.6.1.10 Financing costs

Table (6-12): Financing costs for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G.

SAR in thousands	Fiscal year 2018G (Audited)	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Management information)	31 March 2020G-2021G Variance
Loan interest charges	5,850	7,339	2,700	25.5%	(63.2%)	(32.1%)	1,105	423	(61.7%)
EOSB interest charges	997	1,216	1,039	22.0%	(14.6%)	2.1%	-	-	NA
IFRS-16 lease interest charges	-	975	1,132	NA	16.1%	NA	261	315	20.7%
Total	**6,847**	**9,530**	**4,871**	**39.2%**	**(48.9%)**	**(15.7%)**	**1,366**	**738**	**(46.0%)**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, reviewed financial statements for the three-month period ending 31 March 2021G, and Management information.

Financing costs pertain to short-term loans (Tawarroq and Murabaha) amounting to SAR 2.7 million, lease liabilities amounting to SAR 1.1 million, and employee benefit obligations amounting to SAR1.0 million in 2020G. Financing costs increased by 39.2% from SAR 6.8 million in 2018G to SAR 9.5 million in 2019G due to increases both in the obtained short-term loans as well as in the Saudi Interbank Offered Rate (SIBOR).

Financing costs decreased by 48.9% to SAR 4.9 million in 2020G due to decreases both in the repayment of short-term borrowings as well as in the Saudi Interbank Offered Rate (SIBOR) in the same period.

Financing costs decreased by 46.0% from SAR 1.4 million in the three-month period ending 31 March 2020G to SAR 738 thousand in the three-month period ending 31 March 2021G in line with the drop in short-term loans during the same period.

It is worth noting that the Murabaha and Tawarroq loans obtained from local banks to finance the Company's working capital requirements are guaranteed by Abdullah Ali Almunajem Sons Company (Substantial Shareholder), which bears borrowing costs according to the prevailing commercial rates. The Company has a total loan facility of SAR 700.0 million as at the three-month period ending 31 March 2021G, of which SAR 105.0 million were used at the end of the period, whereas the total bank facilities available to the Company amounted to SAR 860.0 million as of 31 March 2021G.

6.6.1.11 Net profit

Table (6-13): Net profit for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G.

In SAR thousands	Fiscal year 2018G (Audited)	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Annual growth 2018G - 2019G	Annual growth 2019G - 2020G	Compound growth 2018G - 2020G	Three-month period ending 31 March 2020G (Reviewed)	Three-month period ending 31 March 2021G (Reviewed)	2020G - 2021G variation
Profit before Zakat for the year/period	**154,916**	**111,945**	**236,914**	**(27.7%)**	**111.6%**	**23.7%**	**77,475**	**33,040**	**(57.4%)**
Zakat provisions	(5,441)	(2,780)	(7,235)	(48.9%)	165.5%	16.5%	(1,809)	(3,577)	97.7%
Profit for the year/period	**149,475**	**109,165**	**229,679**	**(27.0%)**	**110.3%**	**23.9%**	**75,667**	**29,464**	**(61.1%)**
Remeasurement of employee defined benefit liabilities	1,900	(3,842)	(2,239)	(302.2%)	(41.7%)	-	-	-	-
Total comprehensive income for the year/period	**151,375**	**105,322**	**227,440**	**(30.4%)**	**115.8%**	**22.5%**	**75,667**	**29,464**	**(61.1%)**
KPIs									
Net profit margin	6.0%	4.5%	9.0%	(1.5)	4.5	3.1	1.1%	4.7%	(6.3)

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

6.6.1.12 Zakat

Table (6-14): Zakat provision for the fiscal years ending on 31 December 2018G, 2019G, and 2020G and the three-month periods ending on 31 March 2020G and 2021G.

SAR in thousands	Fiscal year 2018G (Audited)	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Reviewed)	31 March 2020G-2021G Variance
Balance at the beginning of the year	6,584	5,441	2,780	17.4%	48.9%	35.0%	2,780	5,286	90.1%
Charge for the year	5,441	2,780	7,235	48.9%	160.3%	15.3%	1,809	3,577	97.7%
Payments during the year	(6,584)	(5,441)	(4,729)	17.4%	13.1%	15.3%	-	-	-
End of year balance	**5,441**	**2,780**	**5,286**	**48.9%**	**90.1%**	**1.4%**	**4,589**	**8,862**	**97.7%%**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, reviewed financial statements for the three-month period ending 31 March 2021G, and Management information.

Table (6-15): Zakat expense details for the fiscal years ending on 31 December 2018G, 2019G, and 2020G, and the three-month periods ending on 31 March 2020G and 2021G.

SAR in thousands	Fiscal year 2018G (Audited)	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Management information)	Three-month period ending 31 March 2021G (Reviewed)	31 March 2020G-2021G Variance
Additional zakat for the year	-	-	1,949				-	-	-
Current year provision	5,441	2,780	5,286	(48.9%)	90.1%	(1.4%)	1,809	3,577	97.7%
End of year balance	5,441	2,780	7,235	(48.9%)	160.3%	15.3%	1,809	3,577	93.1%

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G, and Management information.

Abdullah Ali Almunajem Sons Company (Substantial Shareholder) submitted a consolidated zakat return to the Zakat, Tax and Customs Authority on behalf of the Substantial Shareholder and the Company for all fiscal periods from 2008G to 2020G. The Substantial Shareholder received an approval from the Zakat, Tax and Customs Authority to submit the zakat returns on a consolidated basis, which includes those of the Company commencing 13 October 2017G (23 Muharram 1439H). Accordingly, commencing 2018G onwards, the Substantial Shareholder commenced submitting consolidated zakat returns for all its fully owned subsidiaries (including the Company). On that basis, the zakat returns for the fiscal periods ending 31 December 2008G to 31 December 2016G have been submitted to the Zakat, Tax and Customs Authority. Furthermore, the Substantial Shareholder has also submitted the consolidated zakat returns for all its fully owned subsidiaries including the Company for the fiscal periods 2017G through 2020G. The Substantial Shareholder received a Zakat certificate for the periods up until 31 December 2020G.

It is worth noting that Abdullah Ali Almunajem Sons Company (Substantial Shareholder) pledges to bear any zakat obligations or liabilities imposed on or estimated for the Company regarding any zakat assessments for the fiscal years 2008G to 2020G, as per the agreement signed between the two parties in this regard.

On 01 April 2021G, Abdullah Ali Almunajem Sons Company (Substantial Shareholder) received a modified zakat assessment from the Zakat, Tax, and Customs Authority regarding the consolidated zakat returns submitted for the year 2018G, which included a claim for zakat differences totaling SAR 9.9 million. Abdullah Ali Almunajem Sons Company objected to that assessment during 2021G before the General Secretariat of Tax Committees but has not received a response as of the date of the Prospectus.

On 28 April 2021G, Abdullah Ali Almunajem Sons Company (Substantial Shareholder) received a zakat assessment from the Zakat, Tax, and Customs Authority regarding the consolidated zakat returns for the year 2015G, which included a claim for zakat differences totaling SAR 8.4 million. Abdullah Ali Almunajem Sons Company objected to the claim on 23/06/2021G before the Zakat, Tax, and Customs Authority but has not received a response as of the date of the Prospectus.

It is worth mentioning that the Company has decided to withdraw its inclusion with the consolidated zakat return submissions by Abdullah Ali Almunajem Sons Company due to the Initial Public Offering. Almunajem Foods Company will commence submitting its zakat returns independently starting from 1 January 2021G.

6.6.1.13 Net income

Table (6-16): Net income for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the three-month periods ending 31 March 2020G and 2021G.

In SAR thousands	Fiscal year 2018G (Audited)	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Annual growth 2018G-2019G	Annual growth 2019G-2020G	Compound growth 2018G-2020G	Three-month period ending 31 March 2020G (Reviewed)	Three-month period ending 31 March 2021G (Reviewed)	2020G-2021G variation
Income before Zakat for the year / period	**154,916**	**111,945**	**236,914**	**(27.7%)**	**111.6%**	**23.7%**	**77,475**	**33,040**	**(57.4%)**
Zakat provisions	(5,441)	(2,780)	(7,235)	(48.9%)	160.3%	15.3%	(1,809)	(3,577)	97.7%
Income for the year / period	**149,475**	**109,165**	**229,679**	**(27.0%)**	**110.4%**	**24.0%**	**75,667**	**29,464**	**(61.1%)**
Remeasurement of employee defined benefit liabilities	1,900	(3,842)	(2,239)	(302.2%)	(41.7%)	-	-	-	-
Total comprehensive income for the year / period	**151,375**	**105,322**	**227,440**	**(30.4%)**	**115.99%**	**22.66%**	**75,667**	**29,464**	**(61.1%)**
KPIs									
Net income margin for the year / period	6.0%	4.5%	9.0%	(1.5)	4.5	3.0	1.1%	4.7%	(6.3)

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Net income

Net income for the year decreased by 27.0% from SAR 149.5 million in 2018G to SAR 109.2 million in 2019G, with the net profit margin decreasing from 6.0% to 4.5%, due to the decrease in gross profit from SAR 411.9 million in 2018G to SAR 334.7 million in 2019G whereby gross profit margin decreased from 16.5% to 13.8%. This decrease is mainly attributed to the decrease in revenue by SAR 78.3 million as a result of 1) the decrease in Doux purchases following France Poultry's acquisition of some of the assets of Doux SA that were up for sale in France, 2) the general decrease in average poultry prices due to market factors, and 3) the VAT implementation coupled with structural changes in the Saudi labor market which led to the departure of many expatriates and therefore to a decrease in demand. This decrease was offset by other revenue mainly related to the insurance claim which amounted to SAR 12.4 million in relation to the Buraidah branch fire that occurred in 2018G for which the Company was compensated for from the insurance company in 2019G.

Net income increased by 110.4% to SAR 229.7 million in 2020G and net profit margin increased to 9.0% due to the increase in gross profit to SAR 484.1 million in 2020G (gross profit margin increased from to 19.1%). This increase was mainly driven by a SAR 119.4 million increase in revenue after a shift in the Company's revenue channels mix which improved sales prices in light of reduced promotional offers during the COVID-19 pandemic period. Moreover, there was an increase in average consumer spending on food products over the same period. This was coupled with other revenue which consisted of a SAR 10.3 million compensation from a lawsuit filed against a local service company which was also collected during the same period.

Net income decreased by 61.1% from SAR 75.7 million in the three-month period ending 31 March 2020G to SAR 29.5 million in the three-month period ending 31 March 2021G with net profit margin decreasing from 11.0% to 4.7% over the same period, mainly driven by the decrease in gross profit from SAR 138.1 million in the three-month period ending 31 March 2020G to SAR 97.4 million in the three-month period ending 31 March 2021G (gross profit margin decreasing from 20.1% to 15.5%).

This decrease was primarily attributed to a SAR 59.5 million decline in revenue from SAR 687.6 million to SAR 628.1 million after the decrease in red and white meat revenue, in particular the Brazilian whole chicken and Company owned brands driven primarily by market factors and the decrease in prices during the first quarter of 2021G compared to the same period in 2020G. This was partly offset by an increase in prices resulting from the decrease in promotions and the concentration of sales in retail sector channels which have higher profit margins; in addition to a decrease in dairy products revenue, particularly Turkish labneh, due to the Turkish products public boycott that resulted in a decline in quantities sold. Nevertheless, this was partly offset by the increase in revenue from frozen vegetables and fruits over the same period.

Other comprehensive income

Other comprehensive income pertains to actuarial gains and losses, which result from the re-measurement of employee benefit obligations by independent actuarial experts using the projected unit credit method and considering the provisions of the Saudi Labor Law and the Company's policy. The losses resulting from re-measuring employee benefit obligations amounted to SAR 3.8 million in 2019G and SAR 2.2 million in 2020G.

Total comprehensive income increased by 115.9% to SAR 227.4 million in 2020G in line with the growth in net income.

Other comprehensive income decreased by 61.1% from SAR 75.7 million in the three-month period ending 31 March 2020G to SAR 29.5 million in the three-month period ending 31 March 2021G in line with the drop in net income in the same period.

6.6.2 Statement of financial position

Table (6-17): Statement of financial position as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Re-viewed)
Assets				
Non-current assets				
Property, plant, and equipment	304,999	304,116	281,034	280,633
Intangible assets	5,850	5,006	4,266	3,892

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Re-viewed)
Right-of-use assets	-	44,942	46,946	46,275
Total non-current assets	**310,849**	**354,064**	**332,245**	**330,800**
Current assets				
Inventory	345,455	391,814	419,993	459,592
Right-of-return assets	595	545	977	1,184
Trade receivables	193,670	187,532	200,764	240,523.00
Due from related parties	70,933	46,714	81,527	72,057
Prepayments and other assets	4,003	19,891	13,967	27,602
Other current financial assets	13,757	2,458	470	1,251
Bank balances and cash	28,347	20,091	19,906	29,232
Total current assets	**656,759**	**669,045**	**737,604**	**831,442**
Total assets	**967,608**	**1,023,108**	**1,069,849**	**1,162,241**
Liabilities and shareholders' equity				
Shareholders' equity				
Capital	150,000	150,000	150,000	600,000
Proposed increase in capital	-	-	450,000	-
Statutory reserve	75,000	75,000	22,968	22,968
Actuarial valuation reserve	2,341	(1,501)	(3,739)	(3,739)
Retained earnings	251,038	240,202	21,222	50,686
Total shareholders' equity	**478,379**	**463,702**	**640,451**	**669,915**
Non-current liabilities				
Lease liability - non-current portion	-	38,684	41,936	38,933
Employees' defined benefit liabilities	27,612	34,794	39,668	40,688
Total non-current liabilities	**27,612**	**73,478**	**81,605**	**79,621**
Current liabilities				
Trade and other payables	163,627	182,213	151,950	227,318
Accrued expenses	19,983	19,054	29,099	24,695
Due to related parties	73	196	147	3,066
Due to a partner	111,770	107,988	40	-
Refund liabilities	723	740	1,150	1,396
Lease liability - current portion	-	7,772	6,925	7,571
Short-term loans	160,000	165,000	128,000	105,000
VAT payable	-	185	25,196	34,797
Zakat payable	5,441	2,780	5,286	8,862
Total current liabilities	461,617	485,929	347,793	412,705
Total liabilities and share-holders' equity	**967,608**	**1,023,108**	**1,069,849**	**1,162,241**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, reviewed financial statements for the three-month period ending 31 March 2021G, and Management information.

Table (6-18): Key performance indicators for the financial position as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

In SAR thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Days Sales Outstanding (DSO)*	29	30	29	34
Days Inventory Outstanding (DIO)**	45	44	51	55
Days Payable Outstanding (DPO)***	42	40	39	47
Return on shareholders' equity	31.3%	23.5%	35.9%	27.4%
Return on total assets	15.4%	10.7%	21.5%	15.8%

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, reviewed financial statements for the three-month period ending 31 March 2021G, and Management information.

* Calculated using total trade receivables.

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

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

Non-current assets

Non-current assets increased from SAR 310.8 million as of 31 December 2018G to SAR 354.1 million as of 31 December 2019G as a result of the adoption of the International Financial Reporting Standard (IFRS) 16 related to leases, which led to the capitalization of SAR 44.9 million as part of intangible assets. This increase was partially offset by a SAR 883 thousand decrease in property, plant, and equipment due to annual depreciation expenses.

Non-current assets decreased from SAR 354.1 million as of 31 December 2019G to SAR 332.2 million as of 31 December 2020G as a result of a SAR 2.0 million decrease in the non-current portion of right-of-use assets after signing a new 20-year lease contract for Al-Sulay warehouse in Riyadh starting from 1 January 2020G. This decrease was partially offset by a SAR 23.1 million decrease in property, plant, and equipment resulting mainly from the sale of assets valued at SAR 11.5 million namely land and SAR 5.3 million from buildings to a related party.

Non-current assets decreased from SAR 332.2 million as of 31 December 2020G to SAR 330.8 million as of 31 March 2021G due to a SAR 671 thousand decrease in right-of-use assets resulting from depreciation amounting to SAR 1.9 million, in addition to a SAR 401 thousand decrease in property, plant, and equipment due to depreciation amounting to SAR 6.8 million. This decrease was offset by additions to buildings amounting to SAR 3.9 million related to the Company's factory in Jeddah during the same period.

Current assets

Current assets increased from SAR 656.8 million as of 31 December 2018G to SAR 669.0 million as of 31 December 2019G due to a SAR 24.2 million decrease in due from related parties in line with the decrease in the balances of France Poultry. Trade receivables also decreased by SAR 6.1 million in line with the decrease in revenue during the same period.

Current assets increased from SAR 669.0 million as of 31 December 2019G to SAR 737.6 million as of 31 December 2020G due to a SAR 28.2 million increase in inventory balance resulting from a meat stock increase as meat purchases increased in preparation for the Hajj season. However, the Company was unable to sell this stock due to COVID-19 precautions which significantly reduced the number of Hajj and Umrah pilgrims. Additionally, the inventory balance of dairy products also increased as the Company started to distribute President products. Due from related parties increased from SAR 46.7 million to SAR 81.5 million in line with the increase in the Company's purchases from France Poultry.

Current assets increased from SAR 737.6 million as of 31 December 2020G to SAR 831.4 million as of 31 March 2021G for the following reasons:

1. A SAR 39.8 million increase in trade receivables balance due to the increase in retail sales during March 2021G in preparation for Ramadan, and the non-collection from some of the major customers as most receivable amounts were still within the agreed payment period and not yet past due.
2. A SAR 40.0 million increase in inventory balance due to a SAR 73.8 million increase in goods in transit due to the timing of ordering and shipping the goods. This increase was partially offset by a SAR 34.5 million decrease in the goods for sale balance due to a drop in purchases in line with the global market, which led to a SAR 9.8 million decrease in the goods for sale balance of Brazilian whole chicken products. Additionally, this was coupled with a decrease in supply

of New Zealand meat in the market, the decrease in goods for sale balance of dairy products by SAR 4.4 million as purchases of Turkish Labneh decreased, and the decrease in goods for sale balance of frozen vegetables and fruits products by SAR 16.0 million due to reduced purchases.

3. A SAR 13.7 million increase in prepaid expenses and other assets as prepaid rent for shelves increased by SAR 8.3 million and prepaid insurance costs increased by SAR 4.1 million. It should be noted that shelf rent and insurance costs are usually paid in advance at the beginning of the year and then amortized during the financial year.

This increase in current assets was partially offset by a drop in due from related parties by SAR 9.5 million as the receivable balance from France Poultry decreased following settlements that occurred in the same period.

Shareholders' equity

Shareholders' equity decreased from SAR 478.4 million as of 31 December 2018G to SAR 463.7 million as of 31 December 2019G due to the decline in retained earnings after a SAR 120.0 million dividend distribution and a SAR 40.3 million decline in net profit in 2019G.

In November 2020G, the Board of Directors decided to increase the capital of Almunajem Foods Company from SAR 150.0 million to SAR 600.0 million by transferring SAR 107.6 million from the due to a partner's account, SAR 75.0 million from the statutory reserve's account, and SAR 267.4 million from the retained earnings account to the proposed increase in capital account. All legal procedures were completed on 17 February 2021G. Shareholders' equity increased from SAR 463.7 million as of 31 December 2019G to SAR 640.5 million as of 31 December 2020G due to the proposed SAR 450.0 million capital increase in 2020G. This increase was offset by a SAR 219.0 million decrease in retained earnings.

Shareholders' equity increased from SAR 640.5 million as of 31 December 2020G to SAR 669.9 million as of 31 March 2021G as a result of an increase in retained earnings by SAR 29.5 million in line with the net profit achieved during that period and the retained earnings during the same period.

Non-current liabilities

Non-current liabilities increased from SAR 27.6 million as of 31 December 2018G to SAR 73.5 million as of 31 December 2019G due to the adoption of IFRS 16, which led to the capitalization of SAR 38.7 million as a non-current portion of the lease liability. Additionally, employees' defined benefit liabilities increased by SAR 7.2 million due to current service costs amounting to SAR 3.7 million and actuarial losses amounting to SAR 3.8 million.

Non-current liabilities increased to SAR 81.6 million as of 31 December 2020G after a SAR 4.9 million increase in employees' defined benefit liabilities and payments totaling SAR 2.5 million, resulting from current service costs of SAR 4.1 million and actuarial losses amounting to SAR 2.2 million.

Non-current liabilities decreased from SAR 81.6 million as of 31 December 2020G to SAR 79.6 million as of 31 March 2021G following a SAR 3.0 million decline in the non-current portion of the lease liability due to the absence of lease contract additions during the same period. This decrease was partially offset by an increase in employees' defined benefit liabilities by SAR 1.0 million due to current service costs during the same period.

Current liabilities

Current liabilities increased from SAR 461.6 million as of 31 December 2018G to SAR 485.9 million as of 31 December 2019G mainly due to a SAR 18.6 million increase in the trade and other payables balance as a result of the increase in inventory balances in line with the increase in Lamb Weston potato purchases as demand grew for frozen potatoes. Additionally, short-term loans increased by SAR 5.0 million as per the Company's needs to finance working capital coupled with the current portion of the lease liability amounting to SAR 7.8 million as a result of the adoption of IFRS 16.

Current liabilities decreased to SAR 347.8 million as of 31 December 2020G due to a SAR 107.6 million decline in the due to a partner's balance resulting from a transfer to the proposed increase in capital account. This decrease was partially offset by a SAR 10.1 million increase in accrued expenses resulting from the increase in payables to the Zakat, Tax and Customs Authority. It is worth noting that during the period the Saudi government had launched some initiatives to stimulate the private sector, including postponement of customs fees and VAT payments on goods for 3 months.

Current liabilities increased from SAR 347.8 million as of 31 December 2020G to SAR 412.7 million as of 31 March 2021G due to an increase in trade and other payables balances by SAR 75.4 million because of a supply contract with a Brazilian Poultry Company (Seara) during the second quarter of the fiscal year 2021G, in addition to a contract with a local supplier to supply Labneh after the boycott campaign on Turkish products. The Company received these contract's invoices during the three-month period ending 31 March 2021G in line with the Company's payment terms with creditors.

6.6.2.1 Non-current assets

Table (6-19): Non-current assets as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Property, plant, and equipment	304,999	304,116	281,034	280,633
Intangible assets	5,850	5,006	4,266	3,892
Right-of-use assets	-	44,942	46,946	46,275
Total non-current assets	**310,849**	**354,064**	**332,246**	**330,800**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Property, plant, and equipment

Table (6-20): Net book value of property, plant, and equipment as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Management information)
Land	83,954	83,954	72,462	72,462
Buildings	128,613	133,363	134,311	136,828
Plant and equipment	41,026	34,770	33,329	31,922
Furniture and fixture	6,901	7,093	7,530	7,447
Computers	1,724	1,666	2,543	2,444
Motor vehicles	35,058	32,496	29,286	29,505
Construction work in progress	7,722	10,774	1,572	23
Total	**304,999**	**304,116**	**281,034**	**280,633.00**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Table (6-21): Estimated useful lives of the main asset categories as of 31 December 2020G.

Asset categories	Estimated useful lives
Buildings	33 years
Plant and equipment	6.67 to 10 years
Furniture and fixture	10 years
Computers	5 years
Motor vehicles	5 to 8 years

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Table (6-22): Additions to property, plant, and equipment as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Management information)
Buildings	588	700	594	3,884
Plant and equipment	3,970	899	2,210	704
Furniture and fixture	1,160	695	903	292
Computers	712	570	600	101
Motor vehicles	17,175	9,754	8,697	1,373
Construction work in progress	10,163	14,416	5,893	23
Total	**33,768**	**27,034**	**18,896**	**6,377**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and Management information.

Table (6-23): Depreciation of property, plant, and equipment as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Management information)
Buildings	4,823	5,054	5,415	1,366
Plant and equipment	7,426	8,397	8,473	2,111
Furniture and fixture	1,761	1,504	1,477	374
Computers	813	630	650	200
Motor vehicles	11,017	11,886	11,812	2,709
Construction work in progress	-	-	-	-
Total	**25,840**	**27,471**	**27,826**	**6,760**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and Management information.

The net book value of property, plant, and equipment amounted to SAR 281.0 million as of 31 December 2020G, with buildings (SAR 134.3 million) and land (SAR 72.5 million) comprising circa 74% of total net book value.

The net book value of property, plant, and equipment amounted to SAR 280.6 million as of 31 March 2021G, with buildings (SAR 136.8 million) and land (SAR 72.5 million) comprising circa 75% of total net book value.

Lands

The Company owns 15 land plots in Saudi Arabia that are fully utilised for building branches, warehouses, or employee housing. The net book value of these lands was SAR 84.0 million as of 31 December 2018G and 2019G and decreased to SAR 72.5 million as of 31 December 2020G and 31 March 2021G, after selling 5 land plots that the Company was not using in its operations (a land in Makkah, a land in Hafar Al-Batin, a land in Sakaka, and two lands in Dammam) to a related party.

Buildings

The net book value of buildings relates mainly to branch buildings, warehouses, and cold stores. The net book value of buildings increased from SAR 128.6 million as of 31 December 2018G to SAR 133.4 million as of 31 December 2019G mainly due to additions to the new Dammam branch amounting to SAR 594 thousand.

The net book value of buildings remained stable at SAR 134.3 million as of 31 December 2020G due to additions related to the new Buraidah branch opening which were offset by the sale of SAR 5.3 million in assets to a related party at their net book value, as all these transferred assets were located in Dammam.

The net book value of buildings increased from SAR 134.3 million as of 31 December 2020G to SAR 136.8 million as of 31 March 2021G due to SAR 3.9 million in additions related to the Company's branch in Jeddah.

Plant and equipment

The net book value of plant and equipment relates primarily to refrigerators and operational equipment. The Company established a factory specialized in the production of processed meat in Jeddah in 1992, with a license to produce a total of 15,000 metric tons annually. The meat factory currently has a total production capacity estimated at about 7,000 metric tons annually, with 60 employees.

The net book value of plant and equipment decreased from SAR 41.0 million as of 31 December 2018G, to SAR 34.8 million as of 31 December 2019G mainly due to depreciation expenses amounting to SAR 8.4 million, which were partially offset by additions and transfers amounting to SAR 2.1 million.

The net book value of plant and equipment continued to decrease to SAR 33.3 million as of 31 December 2020G due to depreciation expenses amounting to SAR 8.5 million, which were partially offset by additions and transfers amounting to SAR 7.1 million.

The net book value of plant and equipment further decreased from SAR 33.3 million as of 31 December 2020G to SAR 31.9 million as of 31 March 2021G due to depreciation expenses amounting to SAR 2.1 million, which were partially offset by additions amounting to SAR 704 thousand.

Furniture and fixture

The net book value of furniture and fixture increased from SAR 6.9 million as of 31 December 2018G to SAR 7.1 million as of 31 December 2019G as result of additions and transfers amounting to SAR 1.7 million.

The net book value of furniture and fixture increased to SAR 7.5 million as of 31 December 2020G as a result of additions and transfers amounting to SAR 1.9 million.

The net book value of furniture and fixture then decreased from SAR 7.5 million as of 31 December 2020G to SAR 7.5 million as of 31 March 2021G due to depreciation expenses amounting to SAR 374 thousand which were offset by additions amounting to SAR 292 thousand.

Computers

Computers comprise of network servers, computers, and other equipment related to information systems. The net book value of computers remained stable at SAR 1.7 million between 31 December 2018G and 31 December 2019G then increased to SAR 2.9 million as of 31 December 2020G due to additions and transfers.

The net book value of computers decreased from SAR 2.5 million as of 31 December 2020G to SAR 2.4 million as of 31 March 2021G due to depreciation expenses amounting to SAR 200 thousand, which were partially offset by additions amounting to SAR 100 thousand during that period.

Motor vehicles

Motor vehicles relates to trucks used to distribute the Company's products and vehicles used for administrative purposes. The net book value of motor vehicles decreased from SAR 35.1 million as of 31 December 2018G to SAR 32.5 million as of 31 December 2019G due to depreciation expenses amounting to SAR 11.9 million.

The net book value of motor vehicles continued to decrease to SAR 29.3 million as of 31 December 2020G due to depreciation expenses amounting to SAR 11.8 million as the number of owned vehicles reached 669 vehicles.

The net book value of motor vehicles increased from SAR 29.3 million as of 31 December 2020G to SAR 29.5 million as of 31 March 2021G due to additions of SAR 1.4 million and transfers of SAR 1.6 million which were partially offset by depreciation expenses amounting to SAR 2.7 million.

Construction work in progress

Construction work in progress includes the cost of building new unfinished branches in addition to any software programs in the design or implementation phases. These costs are transferred to the relevant asset category once their construction is completed. The net book value of construction work in progress increased from SAR 7.7 million as of 31 December 2018G to SAR 10.8 million as of 31 December 2019G driven by the construction of the new Buraidah branch after the 2018G fire that broke out in the old branch.

The net book value of the construction work in progress decreased to SAR 1.6 million as of 31 December 2020G after the completion of the construction of the new Buraidah branch.

The net book value of the construction work in progress further decreased from SAR 1.6 million as of 31 December 2020G to SAR 23 thousand as of 31 March 2021G with the completion of the construction of the Buraidah, Dammam, and other branches.

Intangible assets

Table (6-24): Intangible assets as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Computer software	5,850	5,006	4,266	3,892
Total	**5,850**	**5,006**	**4,266**	**3,892**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Table (6-25): Additions to intangible assets as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Management information)
Computer software	2,114	397	610	10
Total	**2,114**	**397**	**610**	**10**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and Management information.

Table (6-26): Amortization expenses on intangible assets as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Management information)
Computer software	1,877	1,241	1,350	384
Total	**1,877**	**1,241**	**1,350**	**384**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and Management information.

Table (6-27): Disposals of intangible assets as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Management information)
Computer software	5,493	4,615	-	-
Total	**5,493**	**4,615**	**-**	**-**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and Management information.

Computer software

Computer software pertains mainly to licenses for software that the Company's departments use in their operations. These costs are amortized over five to ten years. The net book value of computer software decreased from SAR 5.9 million as of 31 December 2018G to SAR 5.0 million as of 31 December 2019G mainly due to amortization expenses amounting to SAR 1.2 million which were partially offset by additions amounting to SAR 397 thousand.

The net book value of computer software continued to decline to SAR 4.3 million as of 31 December 2020G due to amortization expenses amounting to SAR 1.4 million.

The net book value of computer software further decreased from SAR 4.3 million as of 31 December 2020G to SAR 3.9 million as of 31 March 2021G due to amortization expenses amounting to SAR 384 thousand which were partially offset by additions amounting to SAR 10.0 thousand.

Right-of-use assets

Table (6-28): Right-of-use assets as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Management information)
Balance at the beginning of the year	-	38,719	44,942	46,946
Additions	-	11,628	9,817	1,238
Depreciation	-	(5,405)	(7,813)	(1,909)
Total	**-**	**44,942**	**46,946**	**46,275**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and Management information.

Table (6-29): Net book value of right-of-use assets as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Management information)
Buildings	-	4,995	7,809	7,434
Land	-	30,654	29,397	29,015
Vehicles	-	9,293	9,740	9,825
Total	**-**	**44,942**	**46,946**	**46,275**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and Management information.

SAR in thousands	Building	Land*	Vehicles	Total
As of 1 January, 2019	288	32,185	6,246	38,719
Additions	4,987	-	6.641	11,628
Depreciation	(280)	(1,532)	(3,593)	(5,405)
As of 1 January, 2020G	4,995	30,654	(9,294)	44,942
Additions	4,214	296	5,306	9,817
Depreciation	(1,401)	(1,553)	(4,859)	(7,813)
As of 1 January, 2021G	7,809	29,397	9,740	46,946
Additions	-	-	1,238	1,238
Depreciation	(375)	(382)	(1,153)	(1,909)
As of 31 March, 2021G	7,434	29,015	9,825	46,275

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and Management information.

* This represents a rental lease contract with one of the shareholders.

Commencing 1 January 2019G, the Company began adopting IFRS 16, thereby recognizing leases as right-of-use assets with corresponding liabilities at the date at which the leased assets are available for use by the Company. Lease payments are thus split between the lease liability and the finance cost which is recognized in the initial profit and loss statement over the lease term. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Company has lease contracts for buildings, lands, and cars that are used for its operations. The Company's obligations under the leases are guaranteed by the lessor's title deed of the leased assets. In general, the Company is prohibited from assigning or subletting the leased assets. It is worth noting that the Company possess two lease contracts with an optional renewal clause. The Company generally negotiates for the inclusion of such clauses to give Management the flexibility of managing its lease portfolio and to ensure it is in line with the Company's operational and business needs. Furthermore, the Company has also operational short term lease contracts for storage space and warehousing.

Right-of-use assets amounted to SAR 44.9 million as of 31 December 2019G due to a new 20-year lease for Al-Sulay warehouse in Riyadh starting from 1 January 2020G.

Right-of-use assets increased to SAR 46.9 million as of 31 December 2020G due to SAR 9.8 million in additions.

Right-of-use assets decreased from SAR 46.9 million as of 31 December 2020G to SAR 46.3 million as of 31 March 2021G due to depreciation.

6.6.2.2 Current assets

Table (6-30): Current assets as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Inventory	345,455	391,814	419,993	459,592
Right-of-return assets	595	545	977	1,184
Trade receivables	193,670	187,532	200,764	240,523
Due from related parties	70,933	46,714	81,527	72,057
Prepayments and other assets	4,003	19,891	13,967	27,602
Other current financial assets	13,757	2,458	470	1,251
Bank balance and cash	28,347	20,091	19,906	29,232
Total current assets	**656,759**	**669,045**	**737,604**	**831,442.00**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Inventory

Table (6-31): Inventory as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Goods for resale	235,660	270,456	315,326	280,811
Goods in transit	99,061	112,733	94,600	168,350
Other inventories	10,734	8,625	10,067	10,431
Total	**345,455**	**391,814**	**419,993**	**459,592**
KPIs				
Days Inventory Outstanding *	45	44	51	55

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, reviewed financial statements for the three-month period ending 31 March 2021G, and Management information.

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

Inventory amounted to SAR 420.0 million as of 31 December 2020G. The value of inventory is measured with the cost or the net realization value, whichever is lower. Net realization value is the estimated selling price of goods in the regular course of business less the estimated costs of completion and sale. All inventory was recorded at historical cost. Inventory mainly included goods for resale (75%) and goods in transit (23%) as of 31 December 2020G. The average inventory age amounted to 45 days as of 31 December 2018G and 2019G then increased to 51 days as of 31 December 2020G due to the increase in meat inventory that the Company was unable to sell amidst the pandemic which resulted in a significant decline in the numbers of Hajj and Umrah pilgrims. It is worth noting that the Company recognized SAR 2,085 million, SAR 2,111 million and SAR 2,052 million as purchases in relation to the recorded inventory balance in 2018G, 2019G and 2020G, respectively. These are recorded within cost of sales.

Goods for resale

Goods for resale include mainly poultry products (45% as of 31 December 2020G). Goods for resale increased from SAR 235.7 million as of 31 December 2018G to SAR 270.5 million as of 31 December 2019G due to the increase in goods from Unef Poultry Company (Brazilian poultry) as purchases increased during that period.

Goods for resale further increased to SAR 315. 3 million as of 31 December 2020G due to 1) an increase in the inventory of meat as the Company started purchasing meat in anticipation for the Hajj season but was later unable to sell it due to COVID-19 measures which led to closures of restaurants and significant decline in the numbers of Hajj and Umrah pilgrims; and 2) an increase in the stock of dairy products as the Company started expanding the sales of President products.

Goods for resale decreased from SAR 315.3 million as of 31 December 2020G to SAR 280.8 million as of 31 March 2021G following the decrease in purchases due to 1) the poultry market conditions which led to a SAR 9.8 million decrease in the goods for resale balance of Brazilian whole chicken products, in addition to the declining supply of New Zealand meat; 2) a SAR 4.4 million decline in the goods for resale balance of dairy products due to the declining purchases from a Turkish supplier; and 3) a SAR 16.0 million decline in the goods for sale balance in frozen vegetables and fruits due to the declining purchases during the three-month period ending 31 March 2021G.

Goods in transit

Goods in transit are goods that did not yet arrive in addition to goods awaiting customs clearance at the port. Goods in transit increased from SAR 99.1 million as of 31 December 2018G to SAR 112.7 million on 31 December 2019G then decreased to SAR 94.6 million on 31 December 2020G due to the timing of ordering and shipping the goods.

Goods in transit increased from SAR 94.6 million as of 31 December 2020G to SAR 168.4 million as of 31 March 2021G due to the timing of ordering and shipping the goods.

Other inventories

Other inventories include raw materials such as meat, chicken, and packaging materials used in the Company's meat production factory. These materials amounted to SAR 6.3 million, SAR 4.0 million, SAR 5.4 million, and SAR 6.6 million as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G, respectively. It is worth noting that raw material fluctuation is attributed to the arrival times of goods from external suppliers. Other inventories include spare parts needed for the periodic maintenance of cars and trucks. Spare parts remained stable at SAR 1.6 million as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G, in line with the maintenance needs of the Company's transportation vehicles.

Right-of-return assets

Right-of-return assets are recognized for the right to recover expected customer returns. The asset is measured at the previous carrying amount of inventories less any costs for its recovery, including any impairment of the returned products. The Company updates the amount of the assets while taking into consideration any amendments to the expected returns, as well as any additional impairment of the amount of returned products. The Company uses the expected value method to estimate the variable consideration. It applies the requirements on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price and be proved as revenue.

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 returns as compared to the historical return patterns will impact the expected return 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 returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future.

Right-of-return assets amounted to SAR 595 thousand, SAR 545 thousand, SAR 977 thousand, and SAR 1.2 million as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G, respectively. The fluctuation in right-of-return assets is mainly related to the changes in revenue over the same periods as these assets are typically an estimate of the last month's cost of revenue of a financial year or period.

Trade receivables

Table (6-32): Trade receivables as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Trade receivables	201,123	192,157	207,571	249,725
Minus: Allowance for expected credit losses	(7,453)	(4,624)	(6,806)	(9,202)
Net trade receivables	**193,670**	**187,532**	**200,764**	**240,523**
KPIs				
Days Sales Outstanding*	29	30	29	34

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, reviewed financial statements for the three-month period ending 31 March 2021G, and Management information.

* Calculated using total trade receivables.

The trade receivables' balance includes receivables resulting from sales (on credit) and includes all sales channels of the Company. The trade receivable days sales outstanding were stable at approximately 30 days, which is in line with the credit terms in place with the majority of the Company's customers. It is worth noting that the receivables balances is not factored and are typically collected between 15 to 60 days. Furthermore, it is typical that as per the Company's policy no guarantees are obtained for the outstanding receivables.

Table (6-33): Trade receivables by customer type as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G

SAR in thousands	31 December 2018G (Management information)	31 December 2019G (Management information)	31 December 2020G (Management information)	31 March 2021G (Management information)
Retail receivables	92,300	91,794	104,329	147,446
Wholesale receivables	72,400	65,208	66,585	65,215
Food service sector and warehouse receivables	36,424	35,147	36,657	37,064
Total trade receivables	**201,124**	**192,156**	**207,571**	**249,725**
Minus: Allowance for expected credit losses	(7,453)	(4,624)	(6,806)	(9,202)
Net trade receivables	**193,671**	**187,532**	**200,764**	**240,523**

Source: Management information.

Table (6-34): Movement in the allowance for expected credit losses as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

In SAR thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Balance at the beginning of the year/period	6,414	7,453	4,624	6,806
Expected credit loss allowance	2,057	1,034	2,182	2,395
Writen-off amounts during the year/period	(1,017)	(3,863)	-	-
Balance at the end of the year/period	**7,453**	**4,624**	**6,806**	**9,202**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Retail receivables

Retail receivables balance pertains to retail shops, supermarkets, and hypermarkets. Retail customer balances represented 50.3% of total trade receivables as of 31 December 2020G, and included mainly the balances of Abdullah AlOthaim Markets, Danube Company Limited, Panda Retail Company, and other companies.

Retail receivables increased from SAR 92.3 million as of 31 December 2018G to SAR 104.3 million as of 31 December 2020G following a retail sales growth that resulted from the increased demand by supermarket customers for food during the lockdowns imposed by the government to control the spread of COVID-19.

Retail receivables increased from SAR 104.3 million as of 31 December 2020G to SAR 147.4 million as of 31 March 2021G due to the increase in retail purchases during March in preparation for Ramadan and the non-collection from some of the major customers as most receivable amounts were still within the agreed payment period and not yet past due.

Wholesale receivables

Wholesale receivables balance are largely related to wholesale food stores. Wholesale customer balances represented 32.1% of total trade receivables as of 31 December 2020G. Wholesale receivables decreased from SAR 72.4 million as of 31 December 2018G to SAR 65.2 million as of 31 December 2019G due to a decline in sale volumes and prices in the channel.

Wholesale receivables increased to SAR 66.6 million as of 31 December 2020G due to the increase in wholesale sales in the third quarter of 2020G after the life of the lockdown measures commencing June 2020G.

Wholesale receivables decreased from SAR 66.6 million as of 31 December 2020G to SAR 65.2 million as of 31 March 2021G due to customer settlements in that period.

Food service sector and warehouse receivables

Food service sector and warehouse receivables balance pertains to sales to restaurants, cafes, hotels, catering companies, and other related parties, in addition to warehouse rent. The balances of food service sector customers represented 17.7% of total trade receivables as of 31 December 2020G.

Food service sector and warehouse receivables increased from SAR 36.4 million as of 31 December 2018G to SAR 36.7 million as of 31 December 2020G despite the decline in sales in 2020G and decreasing demand because of temporary closures during the COVID-19 pandemic. Consequently, the Company temporarily extended the payment period of its credit sales for numerous customers.

Food service sector and warehouse receivables increased from SAR 36.7 million as of 31 December 2020G to SAR 37.1 million as of 31 March 2021G following the increase in transactions with the food service channel as the channel's market conditions improved compared to the pandemic period during the fiscal year 2020G. It is worth noting that most of these receivable amounts were within the agreed payment period and not yet past due.

Table (6-35): Aging of trade receivables as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	Total	Less than 30 days	31 to 90 days	91 to 180 days	181 to 365 days	More than 365 days
31 March 2021	249,725	232,033	4,928	2,966	847	8,952
31 December 2020	207,571	149,999	47,318	715	2,699	6,840
31 December 2019	192,157	140,018	45,353	1,466	865	4,455
31 December 2018	201,123	141,712	47,728	2,930	1,599	7,155

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and Management information.

Table (6-36): Aging of net trade receivables as of 31 March 2021G

SAR in thousands	Total	Less than 30 days	31 to 90 days	91 to 180 days	181 to 365 days	More than 365 days
Total trade receivables	249,725	232,033	4,927	2,966	847	8,952
Allowance for expected credit losses	9,202	359	305	458	325	7,724
Net trade receivables	**240,523**	**231,674**	**4,622**	**2,508**	**522**	**1,197**

Source: Management information.

The Company implemented IFRS 9 as required commencing from the beginning of 2017G, using the simplified approach based on the provision for expected credit losses over the lifetime of trade receivables on the dates of financial statements. The allowance for expected credit losses decreased from SAR 7.5 million as of 31 December 2018G to SAR 4.6 million as of 31 December 2019G. Written-off balances amounted to SAR 3.9 million as of 31 December 2019G due to litigations which were deemed doubtful; then increased to SAR 6.8 million as of 31 December 2020G, after adding SAR 2.2 million to the provision in line with the application of IFRS 9.

Amounts due from related parties

Related parties represent associate companies, partners, members of the board of directors, senior management personnel of the Company and establishments under the control, joint control or over which significant influence is exercised by these parties. Pricing policies and terms of these transactions are approved by the Company's Management. The Company does not calculate a provision against receivables from related parties even though the number of days of these receivables exceeds the days of the specified payment terms. As of the date of this prospectus, all amounts owed to the related parties have been paid as of 31 March 2021G.

Table (6-37): Aging of amounts due from related parties as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	Total	Less than 30 days	31 to 90 days	91 to 180 days	181 to 365 days	More than 365 days
31 March 2021	72,058	52,619	19,439	-	-	-
31 December 2020	81,528	45,990	35,538	-	-	-
31 December 2019	46,712	17,849	28,723	140	-	-
31 December 2018	70,934	36,477	27,259	7,198	-	-

Source: Management information

Table (6-38): Disclosures pertaining to related parties as of 31 December 2018G.

SAR in thousands	Sales	Purchases	Expenses
France Poultry	-	176,449	-
Shawaya House	21,969	-	1,161
Gulf Catering Co.	13,692	870	1,804
Gulf Catering Food Factory	5,890	152	(404)
Diet Center Company	7,106	222	1,718
Bureida Trading & Refrigeration Co.	-	8,170	726
Azzad Saudi Company	1,110	196	301
Al-Kafaa Real State Company	-	-	(680)
Abdullah Ali Almunajem Sons Company	-	-	(245)
Sudair Frozen Factory	-	-	-
Thati Ltd. Co.	243	-	118
Al Ameda Constructions Co.	-	-	(18)

Source: Audited financial statements for the fiscal years ending 31 December 2018G

Table (6-39): Disclosures pertaining to related parties as of 31 December 2019G.

SAR in thousands	Sales	Purchases	Expenses
France Poultry	-	497,409	-
Shawaya House	23,637	-	1,222
Gulf Catering Co.	13,004	606	902
Gulf Catering Food Factory	4,438	165	932
Diet Center Company	6,230	34	3,215
Bureida Trading & Refrigeration Co.	-	5,088	495
Azzad Saudi Company	821	217	229
Al-Kafaa Real State Company	-	-	533
Abdullah Ali Almunajem Sons Company	-	-	1,535
Sudair Frozen Factory	96	917	232
Thati Ltd. Co.	377	-	145
Al Ameda Constructions Co.	-	-	1

Source: Audited financial statements for the fiscal years ending 31 December 2019G

Table (6-40): Disclosures pertaining to related parties as of 31 December 2020G.

SAR in thousands	Sales	Purchases	Expenses	Purchase of property, plant and equipment
France Poultry	-	468,744	-	-
Shawaya House	31,490	156	632	-
Gulf Catering Co.	10,033	961	1,899	-
Gulf Catering Food Factory	1,799	172	916	-
Diet Center Company	5,292	25	3,678	-
Azzad Saudi Company	974	194	101	-
Sudair Frozen Factory	975	2,396	86	-
Thati Ltd. Co.	1,542,210	-	76	-
Bureida Trading & Refrigeration Co.	-	2,846	464	-
Al-Kafaa Real State Company	-	-	1,156	14,054
Abdullah Ali Almunajem Sons Company	-	-	402	-
Al Ameda Constructions Co.	-	-	5	-

Source: Audited financial statements for the fiscal years ending 31 December 2020G

Due from related parties

Table (6-41): Disclosures related to related parties as of 31 March 2021G

SAR in thousands	Sales	Purchases	Expenses	Purchase of property, plant and equipment
France Poultry	-	111,869	-	-
Shawaya House	9,022	67	119	-
Gulf Catering Co.	2,571	349	919	-
Diet Center Company	1,313	520	1,549	3,656
Azzad Saudi Company	256	29	48	-
Bureida Trading & Refrigeration Co.	-	862	80	-
Al-Kafaa Real State Company	-	-	618	-
Abdullah Ali Almunajem Sons Company	-	-	2,109	-

Source: The reviewed financial statements for the three-month period ending on 31 March 2021G.

Due from related party balances are not factored and are not backed by guarantees.

Table (6-42): Due from related parties as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

In SAR thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
France Poultry	60,651	40,509	71,044	60,085
Shawaya House	4,205	3,116	7,151	9,975
Diet Center Company	3,337	738	1,025	-
Gulf Catering Co.	1,110	1,039	720	1,760
Gulf Catering Food Factory	1,047	849	543	-
Thati Limited Co.	-	-	474	92
Bureida Trading & Refrigeration Co.	-	400	419	60
Azzad Saudi Company	-	18	152	86
Al-Kafaa Real State Company	-	9	-	-
Other	584	34	-	-
Total	**70,933**	**46,714**	**81,527**	**72,057**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

France Poultry

Receivables from France Poultry (established in 2018G) pertain to prepayments made by the Company to France Poultry (the owner of Doux, Supreme, and other brands) for poultry purchases. Receivables from France Poultry decreased from SAR 60.7 million as of 31 December 2018G to SAR 40.5 million as of 31 December 2019G due to a drop in imported quantities. Receivables from France Poultry increased to SAR 71.0 million as of 31 December 2020G in line with the increase in purchases in that period.

Receivables from France Poultry decreased from SAR 71.0 million as of 31 December 2020G to SAR 60.1 million as of 31 March 2021G due to some balance settlements.

It is worth noting that the strategic goal behind establishing France Poultry is to secure and continue the supplies of French poultry products for Almunajem Foods Company, as they represent circa 25% of the Company's sales, have good profitability, and enjoy a leading market share as compared to competitors (especially the Doux brand). The advance payments were included in the supply contract between the two companies to finance the working capital requirements of the French Company so it can continue supplying Almunajem Foods Company and serve the latter's interests.

Shawaya House

Receivables from Shawaya House pertain to its poultry purchases as a customer of Almunajem Foods Company, and amounts related to shared services. Receivables from Shawaya House decreased from SAR 4.2 million as of 31 December 2018G to SAR 3.1 million as of 31 December 2019G due to repayments.

Receivables from Shawaya House increased to SAR 7.2 million as of 31 December 2020G in line with the increases of Shawaya House's purchases from the Company.

Receivables from Shawaya House increased from SAR 7.2 million as of 31 December 2020G to SAR 10.0 million as of 31 March 2021G in line with the increase of Shawaya House's purchases from the Company.

Diet Center Company

Receivables from Diet Center Company pertain to its purchases as a customer of Almunajem Foods Company, and amounts related to shared services. Receivables from Diet Center Company decreased from SAR 3.3 million as of 31 December 2018G to SAR 738 thousand as of 31 December 2019G following a decline in the Diet Center Company's purchases and repayments.

Receivables from Diet Center Company increased to SAR 1.0 million as of 31 December 2020G as its purchases grew following the lift of the lockdown imposed to control the spread of COVID-19.

Receivables from Diet Center Company dropped from to SAR 1.0 million as of 31 December 2020G to zero as of 31 March 2021G after a full balance payment.

Gulf Catering Co.

Receivables from Gulf Catering Co. pertain to its purchases as a customer of Almunajem Foods Company, and amounts related to shared services. Receivables from Gulf Catering Co. decreased from SAR 1.1 million as of 31 December 2018G to SAR 1.0 million as of 31 December 2019G following repayments.

Receivables from Gulf Catering Co. further decreased to SAR 720 thousand as of 31 December 2020G because of the COVID-19 pandemic that impacted the food service channel.

Receivables from Gulf Catering Co. increased from SAR 720 thousand as of 31 December 2020G to SAR 1.8 million as of 31 March 2021G in line with the increase in its purchases of the Company's products. Additionally, the amounts associated with the Gulf Catering Food Factory, totaling SAR 715 thousand, were reclassified within the receivables from the Gulf Catering Co.

Gulf Catering Food Factory

Receivables from Gulf Catering Food Factory pertain to its purchases as a customer of Almunajem Foods Company. Receivables from Gulf Catering Food Factory decreased from SAR 1.0 million as of 31 December 2018G to SAR 849 thousand as of 31 December 2019G due to repayments.

Receivables from Gulf Catering Food Factory further decreased to SAR 543 thousand as of 31 December 2020G following the drop in demand because of the COVID-19 pandemic that impacted the food service sector.

It should be noted that the amounts associated with the Gulf Catering Food Factory amounting to SAR 715 thousand as of 31 March 2021G were reclassified within the receivables from the Gulf Catering Co.

Thati Limited Co.

Receivables from Thati Limited Co. pertain to its purchases (other products such as beverages) as a customer of Almunajem Foods Company. Receivables from Thati Limited Co. decreased from SAR 474 thousand as of 31 December 2020G to SAR 92 thousand as of 31 March 2021G due to repayments.

Bureida Trading & Refrigeration Co.

Receivables from Bureida Trading & Refrigeration Co. pertain to shared services with Almunajem Foods Company. Receivables from Bureida Trading & Refrigeration Co. increased from SAR 400 thousand as of 31 December 2019G to SAR 419 thousand as of 31 December 2020G.

Receivables from Bureida Trading & Refrigeration Co. decreased from SAR 419 thousand as of 31 December 2020G to SAR 60 thousand as of 31 March 2021G due to repayments.

Azzad Saudi Company

Receivables from Azzad Saudi Company pertain to sales and shared services. Receivables from Azzad Saudi Company increased from SAR 18 thousand as of 31 December 2019G to SAR 152 thousand as of 31 December 2020G.

Receivables from Azzad Saudi Company decreased from SAR 152 thousand as of 31 December 2020G to SAR 86 thousand as of 31 March 2021G due to repayments.

Al-Kafaa Real State Company

Receivables from Al-Kafaa Real State Company are mainly related to building and land sales by Almunajem Foods Company amounting to SAR 14.1 million during the fiscal year 2020G. It is worth mentioning that Al-Kafaa Real State Company paid this balance in December 2020G.

Other

Other balances pertain mainly to other related parties. Receivables from other parties decreased from SAR 584 thousand as of 31 December 2018G to SAR 34 thousand as of 31 December 2019G after classifying receivables from Bureida Trading & Refrigeration Co. and Thati Limited Co. under a separate line item over the same period.

Prepayments and other assets

Table (6-43): Other current financial assets as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Prepayments	3,939	7,733	7,906	19,838
Advance payments to suppliers and contractors	-	10,363	4,643	6,439
Other assets	63	**1,795**	1,419	1,325
Total	**4,003**	**19,891**	**13,967**	**27,602**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Prepayments

Prepayments are mainly related to government fees paid in advance, shelf rent costs paid to some retail customers, and insurance fees paid in advance. Prepayments increased from SAR 3.9 million as of 31 December 2018G to SAR 7.7 million as of 31 December 2019G due to the Council of Ministers Resolution No. 197 dated 23 Rabi' Al-Awwal 1438H which mandates a monthly fee for work license renewals for foreign workers. This fee rose gradually each year until 2020G, as prepayments increased to SAR 7.9 million as of 31 December 2020G.

Prepayments increased from SAR 7.9 million as of 31 December 2020G to SAR 19.8 million as of 31 March 2021G due to the increases in prepaid shelf rent by SAR 4.1 million and prepaid insurance by SAR 8.3 million. It is worth noting that shelf rent and insurance costs are usually paid in advance at the beginning of the year and amortized during the financial year.

Advance payments to suppliers and contractors

Advance payments made to suppliers and contractors are mainly for goods purchased from the supplier of Doux Poultry and some meat suppliers, in addition to advances to construction contractors amongst others.

The Company classifies goods in transit under advance payments to suppliers and contractors when the supplier bears the insurance and shipping costs as well as the responsibility for delivery-related risks to Saudi ports and are classified under goods when the Company itself bears these costs and delivery-risks.

Advance payments to suppliers and contractors amounted to SAR 7.3 million as of 31 December 2018G (and were reclassified from other current financial assets to prepayments and other assets as of 31 December 2019G and 2020G). Advance payments to suppliers and contractors increased from SAR 7.3 million as of 31 December 2018G to SAR 10.4 million as of 31 December 2019G, with the increase in the amounts paid to one of the meat suppliers as the Company's purchases of meat increased during that period.

Advance payments made to suppliers and contractors decreased to SAR 4.6 million as of 31 December 2020G with the decrease in meat purchases as demand for imported meat dropped amidst the COVID-19 pandemic.

Advance payments to suppliers and contractors increased from SAR 4.6 million as of 31 December 2020G to SAR 6.4 million as of 31 March 2021G as a result of the increase in prepayments for tools and equipment (particularly refrigerators) amounting to SAR 3.5 million mainly due to the expansion of the meat factory in Jeddah. This increase was partially offset by a decrease in prepayments for products and services amounting to SAR 1.5 million with the reclassification of goods purchased from suppliers eligible for CIF terms under Goods in transit.

Other assets

Other assets mainly relate to listing fees in retail stores amongst others. It is worth noting that listing fees used to be considered as amortizable intangible assets. Other assets increased from SAR 63 thousand as of 31 December 2018G to SAR 1.8 million as of 31 December 2019G and further decreased to SAR 1.4 million as of 31 December 2020G and SAR 1.3 million as of 31 March 2021G due to amortization expenses.

Other current financial assets

Table (6-44): Other current financial assets as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Employee receivables	1,628	1,685	393	374
Advance payments to suppliers and contractors	7,263	-	-	-
Other	6,524	773	76	877
Total	**15,415**	**2,458**	**470**	**1,251**
Less: Provision for expected credit losses	(1,658)	-	-	-
Net	**13,757**	**2,458**	**470**	**1,251**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Employee receivables

Employee receivables are advances paid by the Company to its employees and guaranteed by the latter's end-of-service benefits and other personal guarantees. Employee receivables increased from SAR 1.6 million as of 31 December 2018G to SAR 1.7 million as of 31 December 2019G as more employees received these advances. Employee receivables decreased to SAR 393 thousand as of 31 December 2020G as a result of employees paying back these advances and the Company not offering any new ones.

Employee receivables further decreased from SAR 393 thousand as of 31 December 2020G to SAR 374 thousand as of 31 December 2021G in line with additional settlements with the employees.

Advance payments to suppliers and contractors

Advance payments made to suppliers and contractors include mainly goods purchased from Doux's supplier and some meat suppliers, prepayments to construction contractors, and others. Advance payments to suppliers and contractors totaled SAR 7.3 million as of 31 December 2018G (and were reclassified from other current financial assets to prepayments and other assets as of 31 December 2019G and 2020G).

Other

This category includes receivables from Doux Poultry in relation to its share of advertising costs amongst others. Other receivables decreased from SAR 6.5 million as of 31 December 2018G to SAR 773 thousand as of 31 December 2019G and SAR 76 thousand as of 31 December 2020G due to the decrease in Doux Poultry's receivables as the percentage of its share in the brand's marketing expenses was adjusted from 75% to 0%.

Other receivables increased from SAR 76 thousand as of 31 December 2020G to SAR 877 thousand as of 31 December 2021G due to the increase in petty cash during that period.

Provision for expected credit losses

The provision for expected credit losses pertained to the amounts due from Doux Poultry to cover its share in advertising costs, as Almunajem Foods Company does not expect to recover these amounts after Doux's restructuring during that period. These losses amounted to SAR 1.7 million as of 31 December 2018G.

Bank balances and cash

Table (6-45): Bank balances and cash as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Cash in hand	3,584	2,176	2,335	2,609
Cash at bank	24,763	17,914	17,571	26,623
Total	**28,347**	**20,091**	**19,906**	**29,232**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Bank balances and cash decreased from SAR 28.3 million as of 31 December 2018G to SAR 20.1 million as of 31 December 2019G reflecting the decline in the cash generated by operating activities and the decrease in the Company's net income.

Bank balances and cash decreased to SAR 19.9 million as of 31 December 2020G because of dividend payments amounting to SAR 158.3 million during that period.

Bank balances and cash increased from to SAR 19.9 million as of 31 December 2020G to SAR 29.2 as of 31 March 2021G due to the cash generated by operating activities and the increase in the Company's net profit.

6.6.2.3 Shareholders' equity

Table (6-46): Shareholders' equity as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Capital	150,000	150,000	150,000	600,000
Proposed increase in capital	-	-	450,000	-
Statutory reserve	75,000	75,000	22,968	22,968
Actuarial valuation reserve	2,341	(1,501)	(3,739)	(3,739)
Retained earnings	251,038	240,202	21,222	50,686
Total shareholders' equity	**478,379**	**463,702**	**640,451**	**669,915**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Capital

Table (6-47): Capital as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Abdullah Ali Almunajem Sons Company	99.0%	99.0%	99.0%	99.0%
Al-Kafaaa Real State Company	1.0%	1.0%	1.0%	1.0%
Total capital	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

The Company's capital comprises of 150,000 shares, valued at SAR 1,000 each. Abdullah Ali Almunajem Sons Company owns 99.0% of the shares, and Al-Kafaaa Real State Company owns the remaining 1.0% as of 31 December 2020G.

In their meeting on 2 November, 2020G, the partners decided to:

- Convert the Company from a limited liability company to a closed joint-stock company.
- Increase the Company's capital from SAR 150.0 million to SAR 600.0 million by transferring SAR 107.6 million from payables to a partner, SAR 75.0 million from the statutory reserve, and SAR 267.4 million from retained earnings to the proposed increase in capital.
- Change the Company's name to Almunajem Foods Company.

The Company's paid up capital amounts to SAR 600 million comprised of 600 thousand shares valued at SAR 10 per share as of 31 March 2021G.

Statutory reserve

Under the Companies Law in the Kingdom of Saudi Arabia, the Company allocates 10.0% of its net income for the year to the statutory reserve until the latter reaches 30.0% of the capital. This reserve is not distributable as dividends. The statutory reserve stood at SAR 75.0 million as of 31 December 2018G and 2019G, then decreased to SAR 23.0 million as of 31 December 2020G, as a result of the proposed increase in capital, and remained stable as of 31 March 2021G.

Actuarial valuation reserve

Table (6-48): Actuarial valuation reserve as of December 31, 2018, 2019 and 2020 and as of March 31, 2021.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Balance at the beginning of the year/ period	(441)	(2,341)	1,501	3,739
Actuarial profit (loss) on liability	(1,900)	3,842	2,239	-
Balance at the end of the year/period	**(2,341)**	**1,501**	**3,739**	**3,739**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and Management information.

The actuarial valuation reserve decreased from SAR 2.3 million as of 31 December 2018G to SAR (1.5) million as of 31 December 2019G due to actuarial losses of SAR (3.8) million.

The actuarial valuation reserve decreased to SAR (3.7) million as of 31 December 2020G due to actuarial losses of SAR (2.2) million in 2020G and remained stable as of 31 March 2021G as the Company did not perform any valuation on the actuarial reserve in the three-month period ending 31 March 2021G.

Retained earnings

Retained earnings decreased from SAR 251.0 million as of 31 December 2018G to SAR 240.2 million as of 31 December 2019G due to the dividend distribution of SAR 120.0 million during 2019G.

Retained earnings further decreased to SAR 21.2 million as of 31 December 2020G due to the SAR 267.4 million transfer for the proposed increase in capital, the increase in the Company's 2020G net profit to SAR 229.7 million, and the dividend distribution of SAR 158.3 million.

Retained earnings increased from SAR 21.2 million as of 31 December 2020G to SAR 50.7 million as of 31 December 2021G as the Company achieved a net profit of SAR 29.5 million and did not distribute any dividends during that period.

6.6.2.4 Non-current liabilities

Table (6-49): Non-current liabilities as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Lease liability, non-current portion	-	38,684	41,936	38,933
Employees' defined benefit liabilities	27,612	34,794	39,668	40,688
Total non-current liabilities	**27,612**	**73,478**	**81,605**	**79,621**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Lease liability, non-current portion

Table (6-50): Table 648: Lease liabilities as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Balance at the beginning of the year/ period	-	38,719	46,456	48,861
Additions for the current year/period	-	11,628	9,817	1,238

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Commission increase during the year/ period	-	975	1,132	315
Reimbursements	-	(4,866)	(7,544)	(3,910)
Total	**-**	**46,457**	**48,861**	**46,503**
Lease obligation - non-current portion	-	38,684	41,936	38,933
Lease obligation - current portion	-	7,772	6,925	7,571
Total	**-**	**46,456**	**48,861**	**46,503**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and Management information.

Lease liability, non-current portion

Commencing 1 January, 2019G, the Company began the adoption of IFRS, thereby recognizing leases as right-of-use assets with corresponding liabilities at the date at which the leased assets are available for use by the Company. Lease payments are thus split between the lease liability and the finance cost which is recognized in the initial profit and loss statement over the lease term. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Company has lease contracts for buildings, lands, and cars that are used for its operations. In general, the Company is prohibited from assigning or subletting the leased assets.

The lease liability was SAR 38.7 million as of 31 December 2019G and increased to SAR 41.9 million as of 31 December 2020G after signing a 20-year lease for Al-Sulay warehouse in Riyadh commencing 1 January 2020G.

The lease liability decreased from SAR 41.9 million as of 31 December 2020G to SAR 38.9 million as of 31 March 2021G given the absence of any additions to existing leases during that period.

It is worth noting that the Company has two lease contracts that include an extension option. This option is negotiated by the Company's management to provide flexibility in managing the leased assets portfolio and keeping it in line with the Company's business needs. Management exercises significant judgment in determining whether it is reasonably certain prior to exercising this extension option. In addition, the Company has entered short-term operating leases for storage space.

Employees' defined benefit liabilities

Table (6-51): Movement in Employees' defined benefit liabilities as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Management information)
Balance at the beginning of the year	26,814	27,612	34,794	39,668
Current service costs	3,210	3,674	4,116	1,279
Interest cost	997	1,216	1,039	-
Paid Employees' defined benefit liabilities	(1,509)	(1,551)	(2,519)	(259)
Actuarial Losses (/Gains)	(1,900)	3,842	2,239	-
Provision as of December 31	**27,612**	**34,794**	**39,668**	**40,688**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, reviewed financial statements for the three-month period ending 31 March 2021G, and Management information.

The defined benefit obligations are periodically remeasured by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting expected future cash flows by referring to market yields on high quality corporate bonds in the benefits' currency, or where there is no deep market in such bonds, by referring to market yields on Government bonds. In Saudi Arabia, the actuarial valuation of end-of-service benefits for employees considers the provisions of the Saudi Labor Law as well as the Company's policy.

Employees' defined benefit liabilities increased from SAR 27.6 million as of 31 December 2018G to SAR 34.8 million as of 31 December 2019G due to current service costs of SAR 3.7 million and actuarial losses of SAR 3.8 million.

Employees' defined benefit liabilities increased to SAR 39.7 million as of 31 December 2020G due to current service costs of SAR 4.1 million.

Employees' defined benefit liabilities increased from SAR 39.7 million as of 31 December 2020G to SAR 40.7 million as of 31 March 2021G due to current service costs of SAR 1.3 million.

6.6.2.5 Current liabilities

Table (6-52): Current liabilities as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Trade and other payables	163,627	182,213	151,950	227,318
Expenses payable	19,983	19,054	29,099	24,695
Due to related parties	73	196	147	3,066
Due to a partner	111,770	107,988	40	-
Refund liabilities	723	740	1,150	1,396
Lease liability - current portion	-	7,772	6,925	7,571
Short-term loans	160,000	165,000	128,000	105,000
Payable VAT	-	185	25,196	34,797
Zakat payable	5,441	2,780	5,286	8,862
Total current liabilities	**461,617**	**485,929**	**347,793**	**412,705**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

* The current portion of the lease liability are discussed within the analysis of non-current liabilities.

Trade and other payables

Table (6-53): Trade and other payables as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Trade payables	162,204	180,834	149,777	225,703
Advances from customers	502	489	763	694
Other	921	890	1,410	921
Total**	**163,627**	**182,213**	**151,950**	**227,318**
KPIs				
Days Payable Outstanding*	**42**	**40**	**39**	**47**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, reviewed financial statements for the three-month period ending 31 March 2021G, and management information.

* Calculated using the cost of purchases except for France Poultry purchases.

**Accrued expenses have been shown separately as of 31 December 2019G and were not included under Trade Payables. The balance has been shown separately in the notes to the financial statements for the period ending 31 December 2018G.

Table (6-54): Trade payables by type as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Management information)	31 December 2019G (Management information)	31 December 2020G (Management information)	31 March 2021G (Management information)
Inventory suppliers	148,436	169,803	134,588	210,778
Services	1,599	1,794	2,272	2,227
Total inventory and services	**150,035**	**171,597**	**136,860**	**213,005**
Other suppliers	12,169	9,237	12,917	12,699
Total	**162,204**	**180,834**	**149,777**	**225,703**

Source: Management information

Table (6-55): Trade payables (inventory suppliers) as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Management information)	31 December 2019G (Management information)	31 December 2020G (Management information)	31 March 2021G (Management information)
Suppliers outside of Saudi Arabia	128,467	152,162	111,162	164,990
Local Suppliers	19,969	17,670	23,427	45,787
Total inventory suppliers	**148,436**	**169,803**	**134,588**	**210,778**

Source: Management information

Table (6-56): Ageing of trade payables as of 31 March 2021G.

SAR in thousands	Total	Less than 30 days	31 to 90 days	More than 90 days
Net trade payables	**225,703**	**148,409**	**55,866**	**21,428**

Source: Management information

Trade payables

Trade payables comprised of balances related to goods and services (SAR 134.6 million), the Customs Authority (SAR 1.8 million), transportation (SAR 4.7 million), the human resource agencies payables (SAR 1.4 million), and other balances (SAR 5.1 million) as of 31 December 2020G.

Trade payables increased from SAR 162.2 million as of 31 December 2018G to SAR 180.8 million as of 31 December 2019G mainly due to the increase in inventory balances due to the increase in potato purchases as demand grew after the Company signed numerous contracts with large scale restaurants. Trade payables then decreased to SAR 149.8 million as of 31 December 2020G due to the increase in payments made to international suppliers. Average days payable remained relatively stable at circa 40 days as of 31 December 2018G, 2019G, and 2020G.

Trade payables increased from SAR 149.8 million as of 31 December 2020G to SAR 225.7 million as of 31 March 2021G due to a supply contract with a Brazilian poultry company that became effective during the second quarter of the fiscal year 2021G. The Company received this contract's invoices totaling SAR 25.0 million in March 2021G. This is in addition to another contract with a local supplier of labneh products which was secured and amounted to SAR 21.0 million. It is worth noting that the top five inventory suppliers comprise 68.7% of total trade payables (inventory suppliers) balance as of 31 March 2021G.

Advances from customers

Advances from customers are advance payments made by customers ahead of delivery, whereby some customers deposit money prior to ordering products. Advances from customers amounted to SAR 502 thousand, SAR 489 thousand, SAR 763 thousand, and SAR 694 thousand as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G respectively.

Other creditors

Other creditors' balances are mainly transfers made to the Company's account but not yet classified under customer accounts. These balances result from time gaps between customer transfer dates and the dates on which the Company is notified. Other balances amounted to SAR 921 thousand and SAR 890 thousand as of 31 December 2018G and 2019G respectively.

Other balances increased to SAR 1.4 million as of 31 December 2020G due to an increase in the transfers made to the Company's account.

Other balances decreased from SAR 1.4 million as of 31 December 2020G to SAR 921 thousand as of 31 March 2021G due to a decline in transfers made to the Company's account.

Accrued expenses

Accrued expenses consist of vacation accruals, marketing fees, and sales commissions. Accrued expenses decreased from SAR 20.0 million as of 31 December 2018G to SAR 19.1 million as of 31 December 2019G due to the decline in accrued annual employee bonuses following the decrease in the Company's net profit in 2019G. It is worth noting that accrued expenses are paid one month after their due dates.

Accrued expenses increased to SAR 29.1 million as of 31 December 2020G due to a SAR 2.9 million increase in accrued employee bonuses, a SAR 2.2 million increase in accrued travel tickets, and a SAR 2.0 million increase vacation accruals because of the travel restrictions imposed during the period.

Accrued expenses decreased from SAR 29.1 million as of 31 December 2020G to SAR 24.7 as of 31 March 2021G as a result of paying annual incentives and bonuses to the Company's directors and employees for a total of SAR 5.8 million. This decrease was partially offset by an increase in accrued air tickets by SAR 809 thousand due to travel restrictions during the fiscal year 2020G.

Due to related parties

Table (6-57): Due to related parties as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Diet Center Company	-	-	-	2,895
Abdullah Ali Almunajem Sons Company (main shareholder)	-	-	-	171
Thati Limited Co.	53	83	-	-
Sudair Frozen Factory	-	112	147	-
Al Ameda Constructions Company	-	1	-	-
Azzad Saudi Company	20	-	-	-
Total	**73**	**196**	**147**	**3,066**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Due to related parties increased from SAR 73 thousand as of 31 December 2018G to SAR 196 thousand as of 31 December 2019G mainly due to a payable balance due to Sudair Frozen Factory amounting to SAR 112 thousand for purchases during the same period.

Due to related parties decreased from SAR 196 thousand as of 31 December 2019G to SAR 147 thousand as of 31 December 2020G after a SAR 84 thousand repayment.

Due to related parties increased from SAR 147 thousand as of 31 December 2020G to SAR 3.1 million as of 31 March 2021G as a result of the increase in the balance owed to the Diet Center Company. Due to a partner amounting to SAR 171 thousand were reclassified to due to related parties in the same period. It is worth noting that the repayment period of due to related party balances ranges between 30 and 45 days.

Furthermore, the Company utilizes a bank account in the name of the Substantial Shareholder, yet is the sole beneficiary of this bank account.

Due to a partner

Table (6-58): Due to a partner as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Abdullah Ali Almunajem Sons Company	**111,770**	**107,988**	**40**	**-**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Payables to Abdullah Ali Almunajem Sons Company (Substantial Shareholder) consist of the net amount remaining after transferring the assets and liabilities related to food wholesale and retail activities from Abdullah Ali Almunajem Sons Company to Almunajem Foods Company under the commercial register established in 2007. This amounted to SAR 111.8 million, SAR 108.0 million, and SAR 40 thousand as of 31 December 2018G, 2019G, and 2020G respectively. It should be noted that an amount of SAR 107.6 million was transferred from the balance to the capital increase account as of 31 December 2020G. Due to a partner amounting to SAR 171 thousand were reclassified to due to related parties in the three-month period ending 31 March 2021G. Due to a partner balance is not eligible for any commissions or financing costs.

Refund liabilities

Refund liabilities relate to refunding considerations (or receivables), in part or in full, related to customers. The Company's refund liabilities stem from the customer's right to return. These obligations are measured by the amounts that the Company expects to eventually refund to customers. The Company updates its estimates for refund liabilities (and the corresponding changes in transaction amounts) at the end of each fiscal year.

Refund liabilities amounted to SAR 723 thousand, SAR 740 thousand, SAR 1.2 million, and SAR 1.4 million as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G respectively. The fluctuation in refund liabilities is mainly related to the changes in revenue over the same periods as these assets are typically an estimate of the last month's cost of revenue of a financial year or period.

Lease liability - current portion

The current portion of the lease liability is the current obligation, the basic payable amount during the fiscal year and any payable interest. This amounted to SAR 7.8 million, SAR 6.9 million, and SAR 7.6 million as of 31 December 2019G, 31 December 2020G, and 31 March 2021G, respectively, after the Company's adoption of IFRS 16 relating to leases.

Short-term loans

Table (6-59): Short-term loans by bank as of 31 March 2021G.

In SAR thousands	Outstanding short term loan balance as of 31 March 2021G	Rate	Loan duration	Date of loan maturity
SABB Bank	40,000	1.6%	21 days	April 15, 2021
Saudi National Bank (previously known as "Samba Financial Group")	20,000	1.6%	7 days	April 1, 2021
Saudi National Bank (previously known as "Samba Financial Group")	15,000	1.6%	8 days	April 1, 2021
Saudi National Bank (previously known as "Samba Financial Group")	15,000	1.6%	7 days	April 5, 2021
Banque Saudi Fransi	10,000	1.6%	7 days	April 1, 2021
Saudi National Bank (previously known as "Samba Financial Group")	5,000	1.6%	7 days	April 1, 2021
Total	**105,000**			

Source: Management information.

Table (6-60): Facilities between SABB and the Company, dated 7 January 2021G, for a total amount of SAR 180,000,000:

Type of Facility/ Purpose/ Amount	Combined Facilities • Murabaha Liquidity Finance by Metal. • Murabaha Financing: Documentary Credits. Combined Facilities Limit: SAR 180,000,000. • Murabaha Liquidity Finance by Metal (Tawarruq): **Facility Limit:** SAR 100,000,000. **Purpose:** For Working Capital requirements. **Mark-up (Profit Margin):** SIBOR + 1% per annum. • Murabaha Financing: Documentary Credits: **Facility limit:** SAR 180,000,000. **Purpose:** To Finance Imports under Documentary Credits, Inward Bills Collection. **DC Opening Cost:** SAMA Tariff.
Outstanding Obligations	SAR 40,000,000 as at 31 March 2021G.
Term	Expires on 30 September 2021G
Guarantees	These facilities are guaranteed by way of a corporate guarantee issued by AAA (the Substantial Shareholder) for SAR 203,750,000 dated 20 December 2018G. An order note for SAR 180,000,000 was signed by AMF and guaranteed by AAA (the Substantial Shareholder) dated 07 January 2021G. The Substantial Shareholder will ask the bank to exclude these guarantees following the IPO.

Source: Management information.

Table (6-61): Facilities between SABB and the Company, dated 8 June 2021G, for a total amount of SAR 20,000,000:

Type of Facility/ Purpose/ Amount	**Bills payable facility** **Facility Limit:** SAR 20,000,000 **Purpose:** Purchasing approved invoices to finance approved supplier invoices, as approved by the buyer **Profit markup:** LIBOR / SIBOR + 0.75% per annum **Maximum billing cycle:** 180 days
Outstanding Obligations	There are no outstanding obligations as at 31 March 2021G.
Term	Expires on 30 September 2021G.
Guarantees	These facilities are guaranteed by way of a corporate guarantee issued by AAA (the Substantial Shareholder) for SAR 20,000,000 dated 8 June 2021G. An order note for SAR 20,000,000 was signed the Company on 8 June 2021G, and guaranteed by AAA (the Substantial Shareholder) on 8 June 2021G. The Substantial Shareholder will ask the bank to exclude these guarantees following the IPO.

Source: Management information.

Table (6-62): Facilities between the Banque Saudi Fransi and the Company, dated 23 November 2020G, for a total amount of SAR 220,000,000:

Type of Facility/ Purpose/ Amount	**Multi-Purpose Facility/Financing:** • **Purpose:** for the issuance of letters of import documentary credits, bid bonds, advance payment bonds and/or performance bonds and the financing of the purchase and sale of commodities (Al Tawarroq) and/or payment guarantee facilities. – **Facility 1.1** • **Facility Limit:** SAR 220,000,000. • **Facility Type:** Al Tawarroq. • **Profit markup:** SIBOR + 1% per annum. – **Facility 1.2** • **Facility Sub Limit:** SAR 130,000,000. • **Facility Type:** Multi Import Letters of Credit. • **Pricing:** As per tariff. – **Facility 1.3** • **Facility Sub Limit:** SAR 10,000,000. • **Facility Type:** Multi Bonding and/or Payment Guarantees. • **Pricing:** As per tariff.
Outstanding Obligations	SAR 10 million as at 31 March 2021G
Term	Expires on 31 October 2021G
Guarantees	These facilities are guaranteed by way of a corporate guarantee issued by AAA for SAR 220,000,000 dated 23 November 2020G. An order note for SAR 220,000,000 was signed by the Company on 23 November 2020G. The Substantial Shareholder will ask the bank to exclude these guarantees following the IPO.

Source: Management information.

Table (6-63): Facilities between the Saudi National Bank* (formerly, Samba Financial Group) and the Company, dated 13 December 2020G, for a total amount of SAR 460,000,000:

Type of facility/ purpose/ amount	**Facility 1:** • **Type of Facility:** Letter of Credit. • **Purpose:** for the issuance of Letters of Credit. • **Amount:** SAR 150,000,000. • **Tenor & Pricing:** – **Type:** LC Opening. **Tenor:** 360 days. **Pricing:** SAMA Rate. – **Type:** Acceptance LC Opening. **Tenor:** 180 days. **Pricing:** SAMA Rate. – **Type:** Acceptance / Usance LC. **Tenor:** 180 days. **Pricing:** 1% per annum. – **Type:** Avalization. **Tenor:** 360 days. **Pricing:** 1% per annum.
	Facility 2: • Type of Facility: Letter of Guarantee – General. • Purpose: for the issuance of Bid Bond, Performance Bond, Advance Payment Guarantee and Payment Guarantee. • Amount: SAR 10,000,000. • Tenor & Pricing: – **Type:** Bid Bond. **Tenor:** 365 days. **Pricing:** SAMA Rate. – **Type:** Advance Payment. **Tenor:** 1095 days. **Pricing:** SAMA Rate. – **Type:** Performance Bond. **Tenor:** 1825 days. **Pricing:** SAMA Rate. – **Type:** Payment Guarantee. **Tenor:** 1825 days. **Pricing:** 1% per annum.
	Facility 3: • Type of Facility: Murabaha Direct Customer Finance. • Purpose: Short Term Working Capital Loans. • Amount: SAR 300,000,000. • Tenor: 365 days. • Pricing: SIBOR + 1% per annum
Outstanding Obligations	SAR 81 million as at 31 March 2021G
Term	Expires on 30 November 2021G.
Guarantees	These facilities are guaranteed by way of a corporate guarantee issued by AAA for SAR 460,000,000 dated 13 December 2020G. An order note for SAR 460,000,000 was signed by the Company and guaranteed by AAA on 14 December 2020G. The Substantial Shareholder will ask the bank to exclude these guarantees following the IPO.

Source: Management information.

* The facilities of the Saudi National Bank (formerly Samba Financial Group) include three types of facilities as shown in the above table. Facility No. 3 is divided into several short-term loans, whereas the loan due on 31 March 2021G represents four loans, as shown in the table Table 6- 41: (Short-term loans by bank as on 31 March 2021 G).

The Company obtained Tawarroq and Murabaha loans from local banks to finance the Company's working capital requirements amounting to SAR 860 million. Loans are guaranteed by Abdullah Ali Almunajem Sons Company (Substantial Shareholder) which bears loan costs in accordance with the prevailing commercial rates (see Section 12.8 "**Credit Facilities and Loans**"). As of 31 December 2020G, loans amounted to SAR 128.0 million with due dates varying between 7 and 28 days and rates ranging from 1.62% to 1.72%. The total bank loan facilities available to the Company amounted to SAR 700.0 million in the three-month period ending 31 March 2021G, of which an amount of SAR 105.0 million was used at the end of this period, while the total bank loan facilities available to the Company amounted to SAR 860.0 million as of 31 March 2021G.

Short-term loans increased from SAR 160.0 million as of 31 December 2018G to SAR 165.0 million as of 31 December 2019G. Short-term loans decreased to SAR 128.0 million as of 31 December 2020G as a result of the increase in cash from operating activities in 2020G.

Short-term loans decreased from SAR 128.0 million as of 31 December 2020G to SAR 105.0 million as of 31 March 2021G due to a SAR 9.3 million increase in the Company's bank balance and cash during the fiscal year 2020G.

VAT payable

VAT payable relates to VAT amounts due to the Zakat, Tax and Customs Authority. VAT payable amounted to SAR 185 thousand as of 31 December 2019G then increased to circa SAR 25.0 million as a result of the government initiatives aimed at postponing taxes on imported goods and the VAT increase from 5.0% to 15.0% in 2020G. It is worth mentioning that the VAT payable amounted to SAR 341 thousand as of 31 December 2018G and was included under accrued expenses as of 31 December 2018G.

VAT payable increased from SAR 25.2 million as of 31 December 2020G to SAR 34.8 million as of 31 March 2021G after the Government initiatives aimed at postponing taxes on imported goods to 2020G.

Zakat payable

Table (6-64): Zakat as of 31 December 2018G, 2019G, and 2020G, and 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Balance at the beginning of the year	6,584	5,441	2,780	5,286
Postponed during the year	5,441	2,780	7,235	3,577
Payments during the year	(6,584)	(5,441)	(4,729)	-
End of year balance	**5,441**	**2,780**	**5,286**	**8,862**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Abdullah Ali Almunajem Sons Company (Substantial Shareholder) submitted a consolidated zakat return to the Zakat, Tax and Customs Authority on behalf of the Substantial Shareholder and the Company for all fiscal periods from 2008G to 2020G. The Substantial Shareholder received an approval from the Zakat, Tax and Customs Authority to submit the zakat returns on a consolidated basis, which includes those of the Company commencing 13 October 2017G (23 Muharram 1439H). Accordingly, commencing 2018G onwards, the Substantial Shareholder commenced submitting consolidated zakat returns for all its fully owned subsidiaries (including the Company). On that basis, the zakat returns for the fiscal periods ending 31 December 2008G to 31 December 2016G have been submitted to the Zakat, Tax and Customs Authority. Furthermore, the Substantial Shareholder has also submitted the consolidated zakat returns for all its fully owned subsidiaries including the Company for the fiscal periods 2017G through 2020G. The Substantial Shareholder received a Zakat certificate for the periods up until 31 December 2020G.

It is worth noting that Abdullah Ali Almunajem Sons Company (Substantial Shareholder) pledges to bear any zakat obligations or liabilities imposed on or estimated for the Company regarding any zakat assessments for the fiscal years 2008G to 2020G, as per the agreement signed between the two parties in this regard.

On 01 April 2021G, Abdullah Ali Almunajem Sons Company (Substantial Shareholder) received a modified zakat assessment from the Zakat, Tax, and Customs Authority regarding the consolidated zakat returns submitted for the year 2018G, which included a claim for zakat differences totaling SAR 9.9 million. Abdullah Ali Almunajem Sons Company objected to that assessment during 2021G before the General Secretariat of Tax Committees but has not received a response as of the date of the Prospectus.

On 28 April 2021G, Abdullah Ali Almunajem Sons Company (Substantial Shareholder) received a zakat assessment from the Zakat, Tax, and Customs Authority regarding the consolidated zakat returns for the year 2015G, which included a claim for zakat differences totaling SAR 8.4 million. Abdullah Ali Almunajem Sons Company objected to the claim on 23/06/2021G before the Zakat, Tax, and Customs Authority but has not received a response as of the date of the Prospectus.

It is worth mentioning that the Company has decided to withdraw its inclusion with the consolidated zakat return submissions by Abdullah Ali Almunajem Sons Company due to the Initial Public Offering. Almunajem Foods Company will commence submitting its zakat returns independently starting from 1 January 2021G.

Contingent liabilities and capital commitments

The Company has letters of guarantee amounting to SAR 410 thousand (SAR 2.0 million as of 31 December 2019G, SAR 2.0 million as of 31 December 2018G) and letters of credit amounting to SAR 32.6 million (SAR 53.2 million as of 31 December 2019G, SAR 69.5 million as of 31 December 2018G) and capital commitments amounting to SAR 97 thousand as of 31 December 2020G (SAR 1.2 million as of 31 December 2019G).

The Company has letters of guarantee amounting to SAR 650 thousand and letters of credit amounting to SAR 25.1 million and capital commitments amounting to SAR 5.1 million as of 31 March 2021G.

6.6.3 Statements of cash flows

Table (6-65): Statements of cash flows for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and the three-month period ending 31 March 2021G.

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Cash flows from operating activities				
Profit before zakat	154,916	111,945	236,914	33,040
Non-cash adjustments to adjust revenues before zakat to net cash flows from operating activities				
Consumption	25,840	27,471	27,826	6,759
Amortization of right-of-use assets	-	5,405	7,813	1,909
Amortization of intangible assets	1,877	1,241	1,350	384
Commission on lease liabilities	-	975	1,132	315
Commission on Employees' defined benefit liabilities	997	1,216	1,039	-
Commission on short-term loans	5,850	7,339	2,700	423.00
Allowance for ECL on trade receivables	2,057	1,034	2,182	2,395
Provisions for expected credit losses on other current financial assets	1,658	-	-	-
Gains on the disposal of property, plant, and equipment	(604)	(3,658)	(3,120)	(319)
Loss in property, plant, and equipment related to the fire	4,117	-	-	-
Employees' defined benefit liabilities	3,210	3,674	4,116	1,279
Decrease (increase) in receivables	(16,706)	5,104	(15,414)	(42,154)
Decrease (increase) in other financial current assets	100,830	4,035	1,989	(781)
Decrease (increase) in prepayments and other assets	(725)	(8,625)	5,924	(13,635)
Decrease (increase) in inventories	35,745	(46,359)	(28,179)	(39,599)
(Increase) Decrease in right-of-return assets	43	50	(432)	(207)
(Decrease) Increase in payables and others	1,914	18,918	(29,761)	75,368
Decrease in Refund liabilities	(110)	-	-	246
(Decrease) Increase in Accrued expenses	-	(1,111)	10,045	(4,404)
Increase (decrease) in payable VAT	-	(155)	25,011	9,601
Increase (decrease) in Due to related parties	18	123	(49)	2,879
Decrease (Increase) in Due from related parties	(63,711)	24,220	(34,814)	9,470

SAR in thousands	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	31 March 2021G (Reviewed)
Repayment of a major portion of lease liabilities	-	(222)	(400)	(24)
Paid financing cost	(5,904)	(7,131)	(2,793)	(400)
Paid employee benefits	(1,509)	(1,551)	(2,519)	(259)
Paid zakat	(6,584)	(5,441)	(4,729)	-
Net cash from operating activities	**243,221**	**138,497**	**205,831**	**42,286.00**
Cash flows from investing activities				
Payments for the purchase of property, plant, and equipment	(33,768)	(27,034)	(18,896)	(6,377)
Proceeds from the disposal of property, plant, and equipment	605	4,104	17,272	337
Payments for the purchase of non-tangible assets	(2,114)	(397)	(610)	(10)
Net cash used in investing activities	**(35,277)**	**(23,327)**	**(2,233)**	**(6,050)**
Cash flows from financing activities				
Partial repayment of lease liabilities	-	(4,644)	(8,144)	(3,910)
Receivables from shareholders	845	845	1,989	-
Due to a partner	(600)	(4,627)	(2,351)	-
Proceeds from borrowings	4,798,000	5,240,000	4,781,000	1,013,000
Repayment of borrowings	(4,799,000)	(5,235,000)	(4,818,000)	(1,036,000)
Paid dividends	(206,087)	(120,000)	(158,277)	-
Net cash used in financing activities	**(206,842)**	**(123,426)**	**(203,782)**	**(26,910)**
Net increase (decrease) in Bank balance and cash	**1,102**	**(8,256)**	**(184)**	**9,326**
Bank balance and cash on 1 January	27,244	28,347	20,091	19,906
Bank balance and cash on 31 December	**28,347**	**20,091**	**19,906**	**29,232**

Source: Audited financial statements for the fiscal years ending 31 December 2018G, 2019G, and 2020G, and reviewed financial statements for the three-month period ending 31 March 2021G.

Cash flows from operating activities

Cash from operating activities decreased from SAR 243.2 million in 2018G to SAR 138.5 million in 2019G mainly due to 1) the SAR 43.0 million decrease in the year's net profit before zakat from SAR 154.9 million to SAR 111.9 million following the decrease in gross profit resulting from the decline in the gross profit margin and revenue during this period; 2) the SAR 46.4 million increase in inventory balance in 2019G compared to its SAR 35.7 million decrease in 2018G. This was partially offset by a SAR 6.1 million decrease in trade receivables and a SAR 18.9 million increase in trade and other payables.

Cash from operating activities increased to SAR 205.8 million due to 1) the SAR 125.0 million increase in net profit before zakat to SAR 236.9 million in 2020G in line with the increase in the gross profit margin and revenue, the increase in other revenue, and the decrease in financing costs; and 2) the SAR 5.3 million increase in trade and other payables, accrued expenses, and payable VAT.

Cash from operating activities amounted to SAR 42.3 million in the three-month period ending 31 March 2021G mainly due to the profit before zakat which amounted to SAR 33.0 million.

Cash flows from investing activities

Cash used in investing activities decreased from SAR 35.3 million in 2018G to SAR 23.3 million in 2019G due to a decrease in purchases of property, plant, and equipment from SAR 33.8 million to SAR 27.0 million over the same period driven by the decline in the purchase of cars and equipment. This decrease was partially offset by an increase in proceeds from the disposal of property, plant, and equipment from SAR 605 thousand to SAR 4.1 million.

Cash used in investing activities decreased to SAR 2.2 million in 2020G due to the decline in purchases of property, plant, and equipment because of the COVID-19 pandemic.

Cash used in investing activities increased to SAR 6.1 million in the three-month period ending 31 March 2021G due to purchases of property, plant, and equipment amounting to SAR 6.4 million.

Cash flows from financing activities

Cash used in financing activities decreased from SAR 206.8 million in 2018G to SAR 123.4 million in 2019G due to the decline in dividends paid to SAR 120.0 million.

Cash used in financing activities increased to SAR 203.8 million in 2020G due to the repayment of short-term loans and an increase in dividends paid.

Cash used in financing activities reached SAR 26.9 million in the three-month period ending 31 March 2021G mainly due to the movement between proceeds from short-term loans amounting to SAR 1,013 million and repaid short-term loans amounting to SAR 1,036 million.

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7. Dividend Distribution 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:

1. 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.
2. 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.
3. 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.
4. 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. The Offer Shares are not entitled to receive any dividends announced before the date of this Prospectus, as the Offer Shares will be eligible for dividends announced by the Company from the date of this Prospectus and in subsequent financial years.

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

Table (7-1): Dividends declared and distributed by the Company during the years ended 31 December 2018G, 2019G, 2020G and the period ended 31 March 2021G, respectively:

SAR	31 December 2018G	31 December 2019G	31 December 2020G	Period ended 31 March 2021G
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	29,463,803
Percentage of declared dividends to the Company's net income	137.87%	109.93%	68.91%	-

Source: Company

The Company intends to establish a core dividend policy in parallel to its future growth aspirations, which is intended to allow the Company to progressively increase dividends, unless the macroeconomic conditions seriously deteriorate.

8. Use of Proceeds

Total proceeds from the Offering are estimated at around SAR [•] of which approximately SAR [•] million will be applied towards the Offering expenses, which include the fees of the Financial Advisor, the Lead Manager, the Underwriter, the Legal Advisor, the Auditor, the Receiving Agent, and the Market and Strategy Consultant, as well as marketing, printing, distribution and translation fees, and other costs and expenses related to the Offering.

The Net Proceeds from the Offering of approximately SAR [•] will be distributed to the Selling Shareholders on a pro-rata basis based on each Selling Shareholder's percentage ownership in the Offer Shares being sold. The Company will not receive any part of the net proceeds from the Offering. The Selling Shareholders shall bear all the fees, expenses and costs related to the Offering.

9. 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 the period ended 31 March 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**”).

Table (9-1): Capitalization and Indebtedness of the Company

SAR	31 Dec 2018G	31 Dec 2019G	31 Dec 2020G	Period ended 31 March 2021G
Total loans	160,000,000	165,000,000	128,000,000	105,000,000
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	22,967,876
Actuarial valuation reserve	2,341,455	(1,500,754)	(3,739,413)	(3,739,413)
Retained earnings	251,037,623	240,202,303	21,222,480	50,686,283
Total equity	478,379,078	463,701,549	640,450,943	669,914,746
Total capitalization (Total loans + Total equity)	638,379,078	628,701,549	768,450,943	774,914,746
Total debt/ total capitalization	25.1%	26.2%	16.7%	13.5%

Source: the Company, and financial information for financial years 2018G, 2019G, 2020G and the period ended 31 March 2021G,, which has been extracted from the comparative financial information contained in the financial statements for financial years 2018G, 2019G, and 2020G, together with the notes thereto, in each case prepared in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA.

The Directors confirm that:

- As the date of this Prospectus, none of the Company’s share capital is under option.
- As the date of this Prospectus, the Company does not have any debt instruments, as at the date of this Prospectus.
- 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 following the date of this Prospectus, subject to no material adverse change affecting the Company’s business.

10. Experts' Statement

As at the date hereof, the Advisors listed on pages vi and vii have given and not withdrawn their written consent to the publication of their names, addresses, logos and statements attributed to them in this Prospectus as presented herein. Neither they nor any of their employees (forming part of the team serving the Company), or relatives have any shareholding or interest of any kind in the Company as at the date of this Prospectus, which would impair their independence.

11. Declarations

The Directors declare the following:

1. The Listing does not constitute a breach of the relevant laws and regulations in Saudi Arabia.
2. The Listing does not constitute a breach of any contract/agreement entered into by the Issuer.
3. All material legal issues concerning the Issuer have been disclosed in the Prospectus.
4. The Issuer is not subject to any claims, or any type of legal proceedings that could individually or collectively have a material effect on its business or financial position.
5. The Directors of the Issuer are not subject to any claims or any type of legal proceedings that could individually or collectively have a material effect on the Issuer's business or financial position.
6. Except as described in Section 5.1 ("**Board Members and Secretary**"), Section 5.3 ("**Senior Management**") and Section 12.7 ("**Transactions and Contracts with Related Parties**"), none of the members of the Board of Directors nor any member of the Senior Executives nor the Secretary nor any of their relatives nor dependents have a direct or indirect interest whatsoever in the Company's Shares, nor any interest in any other matter which may impact the Company's businesses.
7. Except as described in Section 5.6 ("**Conflict of Interest**"), they do not themselves, nor do any of the Senior Executives, Secretary, or their relatives or affiliates, have any interest in any written or verbal contract or arrangement contemplated or expected to be conducted with the Company.
8. Except as described in Section 12.7 ("**Transactions and Contracts with Related Parties**"), as at the date of this Prospectus, there is no conflict of interest related to the Directors with respect to contracts or transactions entered into with the Company.
9. Except as described in Section 4.7 ("**Overview of the Shareholders**") and Section 5.6 ("**Conflict of Interest**") of this Prospectus, neither they nor any of their relatives or affiliates have any Shares or interest of any kind in the Company, until the date of this Prospectus.
10. The Company possesses the necessary regulations and policies needed to prepare the annual financial statements in conformity with full IFRS-KSA and other standards and pronouncements that are endorsed by SOCPA, and within the deadlines set in the OSCOs. Furthermore, the Company possesses the necessary regulations and policies to prepare all the other financial and non-financial reports, as required by the OSCOs and within the timeframes set out in the OSCOs.
11. The Company has sufficient working capital for at least 12 months immediately following the date of this Prospectus.
12. The Company has not issued any debt instruments, nor does it have any term loans or any other material outstanding borrowings or indebtedness (including bank overdrafts, liabilities under acceptance, acceptance credits or hire purchase commitments), other than what was disclosed in Section 12.8 ("**Credit Facilities and Loans**").
13. There is no intention to materially change the nature of the Company's business, and there has been no interruption in the business of the Company or that of its Subsidiaries that may significantly affect or have affected their financial position in the last 12 months.
14. No commissions, discounts, brokerages or other non-cash compensations were granted to any of the Directors by the Company within the three years immediately preceding application for registration and offer of securities in connection with the issue or sale of any securities.
15. There has been no material adverse change in the financial or trading position of the Company in the three years immediately preceding the date of filing the application for registration and offering of securities subject to this Prospectus, in addition to the period since the end of the period covered by the accountant's report and until the date of this Prospectus.
16. The internal control measures and regulations were 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 resulting 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. Furthermore, the Board shall conduct annual reviews of the Company's internal control measures.

17. The audited financial statements for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the review financials for the period ended 31 March 2021G have been prepared in accordance with full IFRS-KSA, and with other standards and pronouncements that are endorsed by SOCPA. The financial data in this Prospectus has been extracted without any material deviation from the Financial Statements and are presented in a manner consistent with the Financial Statements.
18. None of the Directors or the CEO will vote on General Assembly resolutions that relate to any transaction or contract in which the Directors or the CEO have a direct or indirect interest.
19. The Directors have developed procedures, controls and systems that would enable the Company to meet all the requirements of the relevant laws and regulations, including Companies Law, Capital Market Law and its implementing regulations, Rules on the Offer of securities and Continuing Obligations and Listing Rules.
20. There is no pledge, mortgage or financial burden on any of the Company' assets.
21. As at the date of this Prospectus, the Company does not have any employee share schemes in place for its employees or any other arrangement involving the employees in the capital of the Company
22. Unless otherwise approved by the General Assembly, the Directors may not have a direct or indirect interest in the transactions and contracts entered into by the Company.
23. The Directors will notify the Board of any direct or indirect interest they may have in the transactions and contracts entered into by the Company, and this notification will be recorded in the minutes of the Board of Directors meeting.
24. As at the date of this Prospectus, the Company has not adopted any research and development policies.
25. No Shares of the Company are under option, as at the date of this Prospectus.
26. The Directors have not at any time been declared bankrupt or been subject to bankruptcy proceedings.
27. None of the companies in which any of the Directors, Senior Executives or Secretary was employed in a managerial or supervisory capacity, was declared insolvent or bankrupt during the past 5 years preceding the date of this Prospectus.
28. No powers exist giving any of the Directors the right to borrow money from the Company.

The Directors further declare complying with the provisions of Articles 71, 72, 73, 74 and 75 of the Companies Law and Article 46 of the Corporate Governance Regulations with respect to contracts with related parties as follows:

29. All transactions entered into by the Company with Related Parties shall be entered into on a commercial basis, and all works and contracts with Related Parties shall be subject to vote in meetings of the Board of Directors, and if required by the Law, the Ordinary General Assembly. Directors may not vote on any decision related to transactions or contracts with the Company in which they have a direct or indirect interest, whether in the Board of Directors or the Ordinary General Assembly.
30. The members of the Board of Directors declare that they have not participated, jointly or severally, in any activities similar or competitive with the activities of the Company. The Directors further undertake to fulfil the requirements of the Companies Law.
31. Neither the Directors nor any Senior Executive shall obtain a loan from the Company, and the Company shall not guarantee any loan entered into by a Director.

In addition to the declarations described above, the Directors and the CEO declare that:

32. The Directors, Managing Director and the CEO shall not have the right to vote on decisions relating to their fees and remuneration.

The Directors also declare:

33. That the control, accounting and IT systems of the Company are sufficient and adequate.
34. This Prospectus contains all the information to be included under the OSCOs requirements, and does not omit any other fact that would have any impact on the Offer and the investment decision.
35. Third party information and data included in this Prospectus, including the information obtained or derived from the market research conducted by the Market and Strategy Consultant, is reliable and have no reason to believe that such information is inaccurate.
36. That all terms and conditions that may affect the decisions of the Subscribers to invest in Offer Shares have been disclosed.

37. That the Company currently has no intention to sign any new contracts with any related parties, except for the renewal of contracts with the related parties that have been previously concluded and referred to in this Prospectus. In the case that the Company wishes to sign new contracts with related parties in the future, the Company shall adhere to Articles 71, 72, 73, 74 and 75 of the Companies Law and Article 46 of the Corporate Governance Regulations.

38. That as at the date of this Prospectus, the Shareholders whose names appear in Table 4 ("**Company's Ownership Structure at the Company's Incorporation**") of this Prospectus are the legal and beneficial owners of the Shares in the Company.

39. all increases in the capital of the Company are in compliance with the laws and regulations applicable in Saudi Arabia.

40. The Company does not have any securities (contractual or otherwise) or any assets that are subject to fluctuation which would adversely and materially affect the balance sheet.

41. Except as disclosed in Section 2 ("**Risk Factors**"), the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have materially affected or may materially affect (directly or indirectly) its operations.

42. Except as disclosed in Section 2 ("**Risk Factors**"), the Company is not aware of any seasonal information or business cycles related to its business that would affect the Company' operations or financial position.

43. The Company has insurance policies with sufficient insurance coverage to carry out its activities. The Company renews its insurance policies regularly, to ensure continued insurance coverage and it took all reasonable security measures as per applicable industry practices. For further information, please see Section 12.9 ("**Insurance**").

44. All agreements which the Company considers to be material or important or which have an impact on a Subscriber's decision to invest in the Offer Shares have been disclosed. There are no other material agreements or contracts that have not been disclosed.

45. Except as disclosed in Section 2 ("**Risk Factors**"), and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investor's decision to invest in the Offer Shares.

46. Except as disclosed in Section 12.4 ("**Governmental Approvals, Licenses and Certificates**"), as at the date of this Prospectus, the Company has obtained all necessary licenses and permits to carry out its business activities.

47. The Company is not a party to any litigation, claims, lawsuits or current investigations that could materially affect its business operations or financial position.

48. The audited financial statements for the financial years ended 31 December 2018G, 31 December 2019G, and 31 December 2020G, together with the notes thereto, have been prepared in accordance with full IFRS-KSA, and with other standards and pronouncements that are endorsed by SOCPA. No material amendments have been made thereto except for financial and statistical information which have been subject to rounding.

49. All necessary approvals have been obtained from lenders to offer 30% of the Company shares in order for the Company to be a public joint stock company.

50. The Company is in compliance with all terms and conditions under the agreements with lenders granting loans, facilities and financing.

51. They shall record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Directors.

52. They shall disclose the details of any Related Party transactions in accordance with the Companies Law, the Corporate Governance Regulations and the Capital Market regulations; and

53. They shall comply with the provisions of Articles 71, 72 and 73 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations.

قابلة لاعادة الاغلاق
Resealable
داري
Dari
حلال
قطعة مجمدة فرديا
FROZEN
داري
Dari
Net Weight 225g الوزن الصافي
جبن حلوم
HALLOUMI CHEESE
كامل الدسم
Full fat
المنعم
ALMUNAIEM

12. Legal Information

12.1 Declarations related to Legal Information

The Board of Directors declare that:

- The Offering does not violate the applicable laws and regulations in the Kingdom.
- The Offering does not prejudice any contracts or agreements which the Company is a party thereto.
- All material legal information relating to the Company has been disclosed in the Prospectus.
- Except as disclosed in Section 12.11 ("Litigation"), the Company is not involved in any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company.
- Directors are not subject to any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company.

12.2 The Company

Almunajem Foods Company is a Saudi joint stock company established under commercial registration No. 1010231822 dated 07/04/1428H (corresponding to 24 April 2007G) pursuant to ministerial resolution no. 196 issued in Riyadh in Saudi Arabia, dated 25/06/1442H (corresponding to 07/02/2021G). The Company's head office is located at the North Maathar District, Takhassusi Street, P.O. Box 1544, Riyadh 11441, Saudi Arabia.

12.3 Company's Ownership Structure

The following table shows the Company's shareholding structure before and after the Offering.

Table (12-1): Company's Ownership Structure Before and After the Offering

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Direct Ownership Percentage	Par Value (SAR)	No. of Shares	Direct Ownership Percentage	Par Value (SAR)
Abdullah Ali Almunajem Sons Company	59,400,000	99%	594,000,000	41,580,000	69.3%	415,800,000
Al-Kafaa Real Estate Company	600,000	1%	6,000,000	420,000	0.7%	4,200,000
Public	-	-	-	18,000,000	30%	180,000,000
Total	**60,000,000**	**100%**	**600,000,000**	**60,000,000**	**100%**	**600,000,000**

Source: the Company

Details regarding the ownership of each shareholder have been provided in Section 4.7 ("**Overview of Shareholders**").

12.4 Governmental Approvals, Licenses and Certificates

The Company and its branches obtained a number of legal and operational licenses and certificates from the competent authorities. Such licenses and certificates are periodically renewed. The members of the Board of Directors declare that the Company has obtained all such licenses and approvals as necessary for practicing its activities. The tables below show the current licenses and certificates obtained by the Company.

Table (12-2): Details of the Commercial Registration Certificate obtained by the Company:

Commercial Register	Date of Registration	Date of Expiry
1010231822	07/04/1428H (corresponding to 24/04/2007G)	06/04/1478H (corresponding to 27/10/2055G)

Source: The Company

Table (12-3): Details of Commercial Registration Certificates obtained by the Company's Branches:

No.	Branch Name and Location	Commercial Register	Date of Registration	Date of Expiry
Cold Stores				
1.	Burieda	1131026002	03/04/1429H (corresponding to 09/04/2008G)	02/04/1444H (corresponding to 10/27/2022G)
2.	Dammam	2050059043	07/03/1429H (corresponding to 15/03/2008G)	06/03/1444H (corresponding to 02/10/2022G)
3.	Jeddah	4030176226	05/02/1429H (corresponding to 12/02/2008G)	05/02/1444H (corresponding to 01/09/2022G)
4.	Khamis Mushait	5855030212	14/03/1429H (corresponding to 22/03/2008G)	14/03/1444H (corresponding to 10/10/2022G)
5.	Madina	4650046753	19/11/1430H (corresponding to 07/11/2009G)	19/11/1447H (corresponding to 06/05/2026G)
6.	Tabuk	3550027505	12/03/1433H (corresponding to 04/02/2012G)	12/03/1448H (corresponding to 25/08/2026G)
7.	Hail	3350031238	22/03/1433H (corresponding to 14/02/2012G)	22/03/1448H (corresponding to 04/09/2026G)
8.	Ahsa	2250045420	22/03/1433H (corresponding to 14/02/2012G)	22/03/1448H (corresponding to 04/09/2026G)
9.	Makkah	4031067309	22/03/1433H (corresponding to 14/02/2012G)	22/03/1448H (corresponding to 04/09/2026G)
10.	Jizan	5900017953	26/04/1433H (corresponding to 19/03/2012G)	26/04/1448H (corresponding to 03/10/2026G)
11.	Sakakah	3400119907	12/01/1442H (corresponding to 31/08/2020G)	12/01/1448H (corresponding to 07/07/2026G)
12.	Al Sulay (Riyadh)***	1010231822	07/04/1428H (corresponding to 24/04/2007G)	06/04/1448H (corresponding to 18/09/2026G)
The Meat Factory				
13.	Jeddah – Meat Factory	4030291805	10/02/1438H (corresponding to 10/11/2016G)	10/02/1448H (corresponding to 21/07/2026G)
The Sales Office				
14.	Taif	4032032800	06/04/1433H (corresponding to 28/02/2012G)	06/04/1448H (corresponding to 18/09/2026G)
Non-Operating Branches				
15.	Riyadh - Transport	1010401313	12/03/1435H (corresponding to 13/01/2015G)	12/03/1447H (corresponding to 04/09/2025G)
16.	Riyadh - Cleaning	1010465454	10/02/1438H (corresponding to 10/11/2016G)	10/02/1443H (corresponding to 17/09/2021G)
17.	Riyadh - Food Services	1010653210	25/01/1442H (corresponding to 13/09/2020G)	25/01/1443H (corresponding to 02/09/2021G)

Source: The Company

*** The Company's head office and Al Sulay Cold Store branch have the same Commercial Registration Certificate (No. 1010231822).

Table (12-4): Table 124: Details of Municipality Licenses obtained by the Company:

4100348	10/05/1441H (corresponding to 05/01/2020G)	10/05/1446H (corresponding to 12/11/2024G)	Riyadh Municipality

Source: The Company

Table (12-5): Details of Municipality Licenses obtained by the Company's Branches:

No.	Location	License Number	Date of Registration	Date of Expiry	Issuing Department
Cold Stores					
1.	Burieda	390988380	19/04/1439H (corresponding to 06/01/2018G)	19/04/1443H (corresponding to 24/11/2021G)	Qassim Municipality (Al Dira Al Far'ia)
2.	Dammam	40112506581	06/02/1440H (corresponding to 15/10/2018G)	05/02/1446H (corresponding to 09/08/2024G)	Eastern Province Municipality
3.	Jeddah	41073471003	14/05/1435H (corresponding to 15/03/2014G)	26/01/1443H (corresponding to 03/09/2021G)	Jeddah Municipality (Al Molaisaa Al Far'ia)
4.	Khamis Mushait	3909672416	01/07/1436H (corresponding to 20/04/2015G)	01/07/1443H (corresponding to 02/02/2022G)	Khamis Mushait Municipality
5.	Madina	39111510782	19/12/1436H (corresponding to 03/09/2015G)	18/12/1443H (corresponding to 17/07/2022G)	Al Aqiq Municipality
6.	Tabuk	Not applicable	Not applicable	Not applicable	Not applicable
7.	Hail	4011643781	11/03/1437H (corresponding to 22/12/2015G)	11/03/1444H (corresponding to 16/11/2022G)	Hail Municipality
8.	Ahsa	3909469642	22/03/1436H (corresponding to 13/01/2015G)	21/03/1443H (corresponding to 27/10/2021G)	Al Mobarraz Municipality
9.	Makkah	3909452616	06/03/1439H (corresponding to 24/11/2017G)	05/03/1446H (corresponding to 08/09/2024G)	Al Omrah Al Far'ia Municipality
10.	Jizan	40042002681	16/06/1439H (corresponding to 04/03/2018G)	26/06/1443H (corresponding to 29/01/2022G)	Jazan Municipality
11.	Sakakah	42085460066	28/09/1442H (corresponding to 10/05/2021G)	27/09/1443H (corresponding to 28/04/2022G)	AlGouf Municipality
12.	Al Sulay (Riyadh)***	40031761157	02/12/1428H (corresponding to 12/12/2007G)	02/12/1443H (corresponding to 01/07/2022G)	Riyadh - (Al Sulay) Municipality
The Meat Factory					
13.	Jeddah – Meat Factory	Not applicable	Not applicable	Not applicable	Not applicable
The Sales Office					
14.	Taif	Not applicable	Not applicable	Not applicable	Not applicable
Non-Operating Branches					
15.	Riyadh - Transport	40102433662	19/11/1434H (corresponding to 25/09/2013G)	19/11/1443H (corresponding to 18/06/2022G)	Riyadh - (Al Sulay) Municipality
16.	Riyadh - Cleaning	40102424444	02/09/1438H (corresponding to 15/06/2017G)	20/09/1444H (corresponding to 11/04/2023G)	Riyadh (Al Sulay) Municipality
17.	Riyadh - Food Services	Not applicable	Not applicable	Not applicable	Not applicable

Source: The Company

*** The Company's head office and Al-Selay Cold Store Branch have the same Commercial Register (No. 1010231822).

Table (12-6): Details of Civil Defense Permit obtained by the Company:

License Number	Date of Issue	Date of Expiry
1-000431942-41	06/05/1441H (corresponding to 01/01/2020G)	06/05/1442H (corresponding to 21/12/2020G) **

Source: The Company

Table (12-7): Details of Civil Defense Permits obtained by the Company's Branches:

No.	Location	Permit Number	Date of Issue	Date of Expiry
Cold stores				
1.	Burieda	2-000484532-43	08/01/1442H (corresponding to 27/08/2020G)	24/01/1444H (corresponding to 22/08/2022G)
2.	Dammam	2-000488361-42	23/11/1441H (corresponding to 14/07/2020G)	28/11/1443H (corresponding to 27/06/2022G)
3.	Jeddah	1-00052034-41	22/01/1442H (corresponding to 10/09/2020G)	22/01/1443H (corresponding to 30/08/2021G)
4.	Khamis Mushait	1-000736320-42	06/11/1442H (corresponding to 16/06/2021G)	06/11/1443H (corresponding to 05/06/2022G)
5.	Madina	3-000242557-42	04/04/1442H (corresponding to 19/11/2020G)	04/04/1443H (corresponding to 09/11/2021G)
6.	Tabuk	Not applicable	Not applicable	Not applicable
7.	Hail	1-000599020-42	26/02/1442H (corresponding to 13/10/2020G)	26/02/1443H (corresponding to 03/10/2021G)
8.	Ahsa	1-000596824-40	25/08/1442H (corresponding to 07/04/2021G)	25/08/1443H (corresponding to 28/03/2022G)
9.	Makkah	2-2000212853-42	02/03/1442H (corresponding to 19/10/2020G)	02/03/1443H (corresponding to 08/10/2021G)
10.	Jizan	51	02/01/1442H (corresponding to 21/08/2020G)	02/01/1443H (corresponding to 10/08/2021G)
11.	Sakakah	1-000717187-42	25/09/1442H (corresponding to 07/05/2021G)	25/09/1443H (corrresponding to 26/04/2022G)
12.	Al Sulay (Riyadh)***	-	-	-
The Meat Factory				
13.	Jeddah – Meat Factory	Not applicable	Not applicable	Not applicable
The Sales Office				
14.	Taif	Not applicable	Not applicable	Not applicable
Non-Operating Branches				
15.	Riyadh - Transport*	-	-	-
16.	Riyadh - Cleaning*	-	-	-
17.	Riyadh - Food Services*	-	-	-

Source: The Company

* The Company has not yet obtained these permits, however, the Company is currently taking the necessary measures to issue the permits, which are 4 permits.

** The Company is currently taking the necessary measures to renew the expired permit.

*** The Company's head office and Al Sulay Cold Store branch have the same Commercial Register (No. 1010231822). The Company is currently taking the necessary measures to obtain this permit.

Table (12-8): Details of SFDA Licenses obtained by the Company:

License Number	Date of Issue	Date of Expiry
Not applicable	Not applicable	Not applicable

Source: The Company

Table (12-9): Details of SFDA Licenses obtained by the Company's Branches:

No.	Location	License Number	Date of Issue	Date of Expiry
Cold Stores				
1.	Burieda	WL-2020-FO-0436	06/07/1441H (corresponding to 01/03/2020G)	08/08/1444H (corresponding to 28/02/2023G)
2.	Dammam	WL-2019-FO-0046	03/02/1441H (corresponding to 02/10/2019G)	05/03/1444H (corresponding to 01/10/2022G)
3.	Jeddah	WL-2021-FO-0015	21/05/1442H (corresponding to 05/01/2021G)	22/06/1445H (corresponding to 04/01/2024G)
4.	Khamis Mushait	WL-2020-FO-0988	15/10/1441H (corresponding to 07/06/2020G)	17/11/1444H (corresponding to 06/06/2023G)
5.	Madina	WL-2020-FO-0241	10/06/1441H (corresponding to 04/02/2020G)	12/07/1444H (corresponding to 03/02/2023G)
6.	Tabuk**	WL-2020-FO-0905	14/09/1441H (corresponding to 07/05/2020G)	24/09/1442H (corresponding to 06/05/2021G)
7.	Hail	WL-2020-FO-0336	16/02/1441H (corresponding to 10/02/2020G)	27/07/1445H (corresponding to 08/02/2024G)
8.	Ahsa	WL-2020-FO-0868	07/09/1441H (corresponding to 30/04/2020G)	09/10/1444H (corresponding to 29/04/2023G)
9.	Makkah	WL-2020-FO-0496	13/07/1441H (corresponding to 08/03/2020G)	15/08/1444H (corresponding to 07/03/2023G)
10.	Jizan	WL-2020-FO-0456	08/07/1441H (corresponding to 03/03/2020G)	09/08/1444H (corresponding to 02/02/2023G)
11.	Sakakah*	-	-	-
12.	Al Sulay (Riyadh)***	WL-2021-FO-0625	18/11/1442H (corresponding to 28/06/2021G)	21/12/1445H (corresponding to 27/06/2024G)
The Meat Factory				
13.	Jeddah – Meat Factory	E-2-N-1800218-29656	28/01/1440H (corresponding to 08/10/2018G)	28/01/1443H (corresponding to 05/09/2021G)
The Sales Office				
14.	Taif	Not applicable	Not applicable	Not applicable
Non-Operating Branches				
15.	Riyadh - Transport	Not applicable	Not applicable	Not applicable
16.	Riyadh - Cleaning	Not applicable	Not applicable	Not applicable
17.	Riyadh - Food Services	Not applicable	Not applicable	Not applicable

Source: The Company

* The Company has not yet obtained this licenses, however, the Company is currently taking the necessary measures to issue the license.

** The Company is currently taking the necessary measures to renew the expired license.

*** The Company's head office and Al Sulay Cold Store branch have the same Commercial Register (No. 1010231822).

Table (12-10): Details of the Chamber of Commerce Membership Certificate obtained by the Company:

License Number	Date of Issue	Date of Expiry
101000180580	08/04/1428H (corresponding to 25/04/2007G)	07/04/1443H (corresponding to 12/11/2021G)

Source: The Company

Table (12-11): Details of the Chambers of Commerce Membership Certificates obtained by the Company's Branches:

No.	Location	License Number	Date of Issue	Date of Expiry
Cold Stores				
1.	Burieda	601001131777	15/03/1439H (corresponding to 03/12/2017G)	02/04/1444H (corresponding to 27/10/2022G)
2.	Dammam	92666	18/03/1439H (corresponding to 06/12/2017G)	06/03/1444H (corresponding to 02/10/2022G)
3.	Jeddah	126193	05/02/1439H (corresponding to 25/10/2017G)	05/02/1444H (corresponding to 01/09/2022G)
4.	Khamis Mushait	701001131542	01/03/1439H (corresponding to 19/11/2017G)	14/03/1444H (corresponding to 10/10/2022G)
5.	Madina**	203001135300	13/05/1431H (corresponding to 27/04/2010G)	19/11/1442H (corresponding to 29/06/2021G)
6.	Tabuk	401000116997	19/01/1442H (corresponding to 07/09/2020G)	12/03/1443H (corresponding to 18/10/2021G)
7.	Hail	402001129429	23/01/1441H (corresponding to 03/10/2018G)	22/03/1443H (corresponding to 28/10/2021G)
8.	Ahsa	302001151563	29/02/1438H (corresponding to 29/11/2016G)	22/03/1443H (corresponding to 28/10/2021G)
9.	Makkah*	-	-	-
10.	Jizan	702001136373	08/03/1438H (corresponding to 07/12/2016G)	26/04/1443H (corresponding to 01/12/2021G)
11.	Sakakah	404001027622	13/01/1442H (corresponding to 01/09/2020G)	12/01/1443H (corresponding to 02/08/2021G)
12.	Al Sulay (Riyadh)***	101000180580	29/02/1438H (corresponding to 29/11/2016G)	07/04/1443H (corresponding to 12/11/2021G)
The Meat Factory				
13.	Jeddah – Meat Factory*	-	-	-
The Sales Office				
14.	Taif	204001153870	14/03/1438H (corresponding to 13/12/2016G)	06/04/1443H (corresponding to 11/11/2021G)
Non-Operating Branches				
15.	Riyadh - Transport	192454	05/05/1436H (corresponding to 24/02/2015G)	12/03/1447H (corresponding to 04/09/2025G)
16.	Riyadh - Cleaning	375230	10//02/1438H (corresponding to 10/11/2016G)	10/02/1443H (corresponding to 17/09/2021G)
17.	Riyadh - Food Services	-	-	-

Source: The Company

* The Company has not yet obtained this license, however, the Company is not required to obtain these certificates

** The Company is currently taking the necessary measures to renew the expired license..

*** The Company's head office and Al Sulay Cold Store branch have the same Commercial Register (No. 1010231822).

Table (12-12): Details of the Environmental License obtained by the Company:

License Number	Date of Issue	Date of Expiry
Not applicable	Not applicable	Not applicable

Source: The Company

Table (12-13): Details of the Environmental Licenses and Permits obtained by the Company's Branches:

No.	Location	Number of License/ Permit	Date of Issue	Date of Expiry
Cold stores				
1.	Burieda*	KH M A/4136/1442	08/01/1443H (corresponding to 17/08/2021G)	08/01/1446H (corresponding to 15/07/2024G
2.	Dammam	1137/16/08	05/07/1440H (corresponding to 12/03/2019G)	05/07/1446H (corresponding to 05/01/2025G)
3.	Jeddah*	-	-	-
4.	Khamis Mushait*	-	-	-
5.	Madina	17466	11/08/1442H (corresponding to 24/03/2021G)	26/07/1445H (corresponding to 07/02/2024G)
6.	Tabuk	5411/1442	25/10/1442H (corresponding to 06/06/2021G)	25/10/1445H (corresponding to 04/05/2024G)
7.	Hail*	-	-	-
8.	Ahsa	706/16/08	24/05/1441H (corresponding to 19/01/2020G)	24/05/1447H (corresponding to 15/11/2025G)
9.	Makkah	35177	27/11/1440H (corresponding to 30/07/2019G)	27/11/1446H (corresponding to 25/05/2025G)
10.	Jizan	1442/3149	07/04/1442H (corresponding to 22/11/2020G)	22/03/1444H (corresponding to 18/10/2022G)
11.	Sakakah*	-	-	-
12.	Al Sulay (Riyadh)***	1442/4339	26/06/1442H (corresponding to 08/02/2021G)	26/06/1448H (corresponding to 06/12/2026G)
The Meat Factory				
13.	Jeddah – Meat Factory**	28702	15/09/1440H (corresponding to 20/05/2019G)	15/09/1442H (corresponding to 27/04/2021G)
The Sales Office				
14.	Taif*	Not applicable	Not applicable	Not applicable
Non-Operating Branches				
15.	Riyadh - Transport*	Not applicable	Not applicable	Not applicable
16.	Riyadh - Cleaning*	Not applicable	Not applicable	Not applicable
17.	Riyadh - Food Services*	Not applicable	Not applicable	Not applicable

Source: The Company

* The Company has not yet obtained these licenses, however, the Company is currently taking the necessary measures to issue the licenses, which are 6 licenses.

** The Company is currently taking the necessary measures to renew the expired license.

*** The Company's head office and Al Sulay Cold Store branch have the same Commercial Register (No. 1010231822).

Table (12-14): Details of the Industrial Licenses of the Company:

No.	Location	License Number	Date of Issue	Date of Expiry
1.	Not applicable	Not applicable	Not applicable	Not applicable

Source: The Company

Table (12-15): Details of the Industrial Licenses of the Company's Branches:

No.	Location	License Number	Date of Issue	Date of Expiry
Cold stores				
1.	Burieda	Not applicable	Not applicable	Not applicable
2.	Dammam	Not applicable	Not applicable	Not applicable
3.	Jeddah	Not applicable	Not applicable	Not applicable
4.	Khamis Mushait	Not applicable	Not applicable	Not applicable
5.	Madina	Not applicable	Not applicable	Not applicable
6.	Tabuk	Not applicable	Not applicable	Not applicable
7.	Hail	Not applicable	Not applicable	Not applicable
8.	Ahsa	Not applicable	Not applicable	Not applicable
9.	Makkah	Not applicable	Not applicable	Not applicable
10.	Jizan	Not applicable	Not applicable	Not applicable
11.	Sakakah	Not applicable	Not applicable	Not applicable
12.	Al Sulay (Riyadh)***	Not applicable	Not applicable	Not applicable
The Meat Factory				
13.	Jeddah – Meat Factory	411102105316	16/11/1441H (corresponding to 07/07/2020G)	15/11/1444H (corresponding to 04/06/2023G)
The Sales Office				
14.	Taif	Not applicable	Not applicable	Not applicable
Non-Operating Branches				
15.	Riyadh - Transport	Not applicable	Not applicable	Not applicable
16.	Riyadh - Cleaning	Not applicable	Not applicable	Not applicable
17.	Riyadh - Food Services	Not applicable	Not applicable	Not applicable

Source: The Company

*** The Company's head office and Al Sulay Cold Store branch have the same Commercial Register (No. 1010231822).

12.5 Material Agreements

The Company has entered into a number of material agreements and contracts with multiple parties. This section sets out summaries of agreements and contracts which may, in the best knowledge of the Board, be material and significant with respect to the Company's business or which may impact the investors' decision to subscribe for the Offer Shares. The summaries of agreements and contracts referred to below does not include all terms and conditions and it cannot be considered a substitute for the terms and conditions of these agreements.

12.5.1 Key Suppliers Agreements

The Company had 10 Key Suppliers in 2020G (identified based on gross purchases), each of which supplies multiple food products to the Company. The Key Suppliers collectively contributed to 67.1%, 78.3%, 76.8% and 77.9% of the Company's total purchases of food products for the years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period ennded 31 March 2021G, respectively. The total value of the agreements concluded with the Key Suppliers is SAR 1,400 million, SAR 1,680 million, SAR 1,635 million and SAR 389 million for the financial years 2018G, 2019G, 2020G and the period ended 31 March 2021G, respectively.

The quantity and price of food products are negotiated between the Company and the Key Suppliers, and upon agreement on the terms, the Company submits its orders to the Key Suppliers pursuant to purchase orders and emails which include certain terms and conditions. Such purchase orders and emails contain the quantity of products supplied, the prices, the delivery date, and the method of payment.

As at the date of this Prospectus, the Company has signed supply contracts with four of the Key Suppliers. As for the remaining six Key Suppliers, the Company has not signed any supply contracts with them (for further details, please refer to Section 12.5.2 ("**Summary of main terms of arrangements with Key Suppliers not subject to signed supply contracts**")) and to Section 2.1.2 ("**Risks related to the Company's reliance on certain Key Suppliers**").

The terms of the Company's signed supply contracts entered into with four of the Key Suppliers typically include the following:

- Terms relating to placing, returning and replacing orders as well as the credit terms.
- Provisions relating to exclusivity and non-compete clauses.
- Contract term, as well as termination rights and renewal (if any).
- Licensing for the Company permitting it to sell branded food products.
- Summary of main terms of supply contracts with Key Suppliers

Table (12-16): Supply Contract between Arla Foods Amba and the Company:

Term:	5 years starting from 26 April 2019G.
Product Category:	Dairy products
Payment Terms:	Payment to be made within 45 days from the date of issuance of the invoice
Contract Renewal:	Automatically renewed
Termination Rights:	• Once the first 5 years of the agreement have concluded, either party may terminate the agreement without providing any reason and by serving 3 months written notice to the other party. • Either party may terminate the agreement if the other party breached the terms of the agreement and has not remedied the breach within 30 days after written notice has been given. • Either party may terminate the agreement on the commencement of the winding up or bankruptcy of the other party or if the other party ceased to do business at any time for 30 consecutive days. • Either party may terminate the agreement if the other party for any reason whatsoever is substantially prevented from performing or becoming unable to perform its obligations according to this agreement.
Rights of Return:	The Company may return the products to the Supplier within a period of seventy (70) days as of the date of taking delivery of the products.

Source: The Company

Table (12-17): Supply Contract between Agro Sevilla and the Company:

Term:	Indefinite, starting from 11 January 2011G
Products Category:	Olive products and olive oil
Payment Terms:	Payment to be made within 90 days from the bill of lading date
Contract Renewal:	N/A
Termination Rights:	Either party may terminate the contract without providing any reason with 60 days' notice to the other party
Rights of Return:	The Company may return products to the supplier following examination of the products at the earliest opportunity after receipt

Source: The Company

Table (12-18): Supply Contract between Ak Gida Sinayi Ve Ticaret A.S. and the Company

Term:	5 years starting from 1 January 2020G
Products Category:	Dairy products
Payment Terms:	Payment to be made within 90 days from the bill of lading date
Contract Renewal:	Automatically renewed on new terms
Termination Rights:	• Either party may terminate the agreement, with immediate effect by written notice to the other party: (i) in case of a substantial breach of the other party's obligations under this agreement; or (ii) if the other party files a petition in bankruptcy, goes bankrupt or is wound up by the court during the agreement. • Either party may terminate the agreement if the other party breached the terms of the agreement and has not remedied the breach within 30 days after written notice has been given.
Rights of Return:	The Company may return products to the supplier by notifying the supplier in writing within 10 days from receipt

Source: The Company

Table (12-19): Supply Contract between United Foods Industries Corporation and the Company:

Term:	5 years starting from 1 January 2020G
Products Category:	Dairy products
Payment Condition:	Payment to be made within 90 days from the bill of lading date
Contract Renewal:	Automatically renewed
Termination Rights:	Either party may terminate the agreement, with immediate effect by written notice to the other party: (i) in case of a substantial breach of the other party's obligations under this agreement; or (ii) if the other party files a petition in bankruptcy, goes bankrupt or is wound up by the court during the agreement. Either party may terminate the agreement if the other party breached the terms of the agreement and has not remedied the breach within 30 days after written notice has been given.
Rights of Return:	The Company may return products to the supplier by notifying the supplier in writing within 10 days from receipt

Source: The Company

Table (12-20): Supply Contract between France Poultry SASU and the Company:

Contract Term:	2 years starting from 1 December 2020G
Products Category:	Poultry products
Payment Terms*:	Up to 100% of the price of imported food products to be paid in advance according to the invoice received starting from the second following month or the third following month, at the least. The remaining amount to be paid upon receiving the bill of lading
Contract Renewal:	Automatically renewed
Termination Rights:	• Either party may terminate the agreement with 3 months written notice to the other party prior to the expiry of the initial or any renewed term of the agreement. • Either party may terminate the agreement, if the other party breached the terms of the agreement and has not remedied the breach within 90 days after written notice has been given. • On the commencement of the winding up or bankruptcy of either party.
Rights of Return:	The Company may reject and return the products in whole or in part to the supplier after receipt, at the supplier's own risk and expenses.

Source: The Company

* These payment terms have been agreed in order to stabilize poultry prices

12.5.2 Summary of main terms of arrangements with Key Suppliers not subject to signed supply contracts

These arrangements are not subject to signed supply contracts and do not include main terms, instead these arrangements are based on purchase orders and emails, which are limited to few terms and conditions. The value of these arrangements contributed to approximately 32.9%, 217%, 23.2% and 22.1% of the Company's total purchases of supplied food products for the financial years ended on 31 December 2018G, 31 December 2019G, 31 December 2020G, and the period ended 31 March 2021G, respectively. The total value of these arrangements made with Key Suppliers not subject to signed supply contracts amounted to SAR 404 million, SAR 466 million, SAR 491 million and SAR 111 million, for the financial years 2018G, 2019G, 2020G, and the period ended March 2021G, respectively.

Generally, the purchase orders and emails include the following terms

- Terms relating to placing, returning and replacing orders as well as the credit terms.
- Terms relating to the packaging of the product.
- Terms relating to compensation for the delay of a shipment.

These arrangements are entered into with six of the Key Suppliers, which are:

- LambWeston
- Vibra Agroindustrial S.A.
- Silver Fern Farms
- BRF Foods
- Delmon
- Royal Foodstuffs PVT

The commercial relationship between the Company and the aforementioned Key Suppliers is based on the commercial arrangements concluded annually, setting out the quantity and prices of food products to be supplied to the Company by these six Key Suppliers, as well as the objectives that both parties should achieve by the following year. The purchase orders and emails contain the quantity of food products supplied, the prices, and the delivery date of arrival and are subject to the aforementioned terms.

12.5.3 Key Customers Agreements

The Company had 10 Key Customers in 2020G (in terms of the total sales volume), to whom the Company sold several food products. The value of these agreements contributed to approximately 22.9%, 21.2% and 23.9% of the Company's total sales volume of food products supplied in the financial years ending on 31 December 2018G, 31 December 2019G and 31 December 2020G, respectively (please refer to Table 4-14 ("**The Company's Key Customers as at 31 December 2020G**")), while the value of the agreements concluded with the ten Key Customers accounted for about 27.5% of the Company's total sales of food products supplied for the period ended 31 March 2021G (please refer to Table 4-15 ("**The Company's Key Customers as at 31 March 2021G**")).

The total value of these agreements with Key Customers amounted to SAR 571 million, SAR 512 million and SAR 608 million, for the financial years 2018G, 2019G and 2020G, respectively (please refer to Table 4-14 ("**The Company's Key Customers as at 31 December 2020G**")), while the value of the agreements concluded with the ten Key Customers amounted to SAR 173 million for the period ended 31 March 2021G (please refer to Table 4-15 ("**The Company's Key Customers as at 31 March 2021G**")).

The quantity and price of food products are negotiated between the Company and the Key Customers, and upon agreement, account opening forms and commercial agreements are concluded (the Company concluded commercial agreements with seven of the Key Customers). Thereafter, the Key Customers submit their orders to the Company through purchase orders and emails, which contain certain terms and conditions. Such purchase orders and emails only include the food products, the quantities, the price and the delivery date. The Company then enters the purchase orders in its system and upon availability of the food products included in the purchase order, the Company issues a credit invoice to be signed by the Key Customers. The invoice amount is deducted from the credit limit of the Key Customers, as specified in the account opening forms.

As at the date of this Prospectus, the Company has adopted account opening forms, commercial agreements and purchase orders with seven of the Key Customers (please refer to Table 4-14 ("The Company's Key Customers as at 31 December 2020G")). As for the remaining three Key Customers, the Company only adopted account opening forms and purchase orders. (For more information, please see Section 12.5.3.1 ("**Summary of the Main Conditions of the Sale Agreements with Key Customers as at 31 December 2020G**")).

Generally, the arrangements made with seven of the Key Customers (as at 31 December 2020G) include the following:

- The food products are supplied on the basis of purchase orders issued by the customer.
- Contract term and provisions governing the termination and renewal of the Contract (this applies only to commercial agreements with the seven (7) key customers).
- Provisions governing the return and replacement of products and credit terms.
- Display rebates in consideration of the rent by the Company of block of shelves, gondolas and spaces in the customers' stores based on a list agreed to by such stores.
- Progressive rebates based on the basis of volume of sales reached by the customers, deducted on a monthly or annual basis. The value of the agreed upon incentives have not been disclosed, as the Company considers such information as commercially sensitive, and if disclosed, would have a negative and material impact on the Company and its future business and prospects.

As for the remaining three Key Customers (as at 31 December 2020G), the Company only adopts the account opening forms and the purchase orders. The account opening forms include the credit limit and the credit term for each Key Customer (ranging between 15 and 45 days). The Key Customers may request the Company to increase the credit limit by virtue of a written notice.

12.5.3.1 Summary of the Main Conditions of Sale Agreements with the Key Customers as at 31 December 2020G:

12.5.3.1.1 Sale Agreement between the Company and Shawaya House

The sale of the Company's food products to Shawaya House (one of the Related Parties) is made through the submission of purchase orders and via email. The purchase orders and emails contain the quantity of food products supplied, the prices, and the date of arrival as well as the terms governing the delivery and rights of return and replacement of the food products if they do not conform to Shawaya House terms and specifications.

12.5.3.1.2 Sale Agreement between the Company and Najmat Al Shamal and between the Company and Tariq Mabkhout Al Howail Est. for Trading

The sale of the Company's food products to Najmat Al Shamal and to Tariq Mabkhout Al Howail Est. for Trading is made through the submission of purchase orders and via email. The purchase orders and emails contain the quantity of food products supplied, the prices, and the date of arrival as well as the terms governing the delivery and rights of return and replacement of the food products if they do not conform to Najmat Al Shamal and Tariq Mabkhout Al Howail Est. for Trading's terms and specifications.

12.5.3.1.3 Sale Agreements between the Company and the seven Key Clients that have entered into signed sale contracts

The sale of the Company's food products to the seven Key Clients which the Company entered into commercial agreements with, is made through the submission of purchase orders and via email. The purchase orders and emails contain the quantity of food products supplied, the prices, and the date of arrival as well as the terms governing the delivery and rights of return and replacement of the food products if they do not conform to the seven Key Clients' terms and specifications.

12.5.3.2 Summary of the Main Conditions of Sale Agreements with the Key Customers as at 31 March 2021G:

12.5.3.2.1 Sale Agreement between the Company and Saudi Marketing Company (Farm Superstores)

The sale of the Company's food products to the Saudi Marketing Company Ltd. (Farm Superstores) is based on the exchange of Purchase Orders through e-mails, with such Purchase Orders and e-mails specifying the types, quantities, prices and date of arrival of food products. Provisions apply regarding delivery, return and exchange of goods, in the event that they do not conform to the specifications and conditions of the Saudi Marketing Company Ltd. (Farm Superstores).

12.5.3.2.2 Sale Agreement between the Company and the Central Food Services Company Limited (Al-Baik)

The sale of the Company's food products to the Central Food Services Company Limited (AlBaik) is based on the exchange of Purchase Orders through e-mails, with such Purchase Orders and e-mails specifying the types, quantities, prices and date of arrival of food products. Provisions apply regarding delivery, return and exchange of goods, in the event that they do not conform to the specifications and conditions of the Central Food Services Company Limited (AlBaik).

12.5.3.2.3 Sale Agreement between the Company and the Shawarma House Restaurant Company

The sale of the Company's food products to the Shawarma House Restaurant Company is based on the exchange of Purchase Orders through e-mails, with such Purchase Orders and e-mails specifying the types, quantities, prices and date of arrival of food products. Provisions apply regarding delivery, return and exchange of goods, in the event that they do not conform to the specifications and conditions of the Shawarma House Restaurant Company.

12.5.4 Lease Contracts

The tables below set out a summary of the provisions of the Company's lease contracts in relation to the Cold Store branches, the Meat Factory, the sales office branches and accommodation.

Table (12-21): Cold Store Branches

No.	Branch Name and Location	Area (square meters)	Landlord	Tenant	Term including start and expiry	Renewal	Rent	Assignment and/or Sublease	Change of Control	Termination Provisions
1.	Sakakah	1400.50 square meters	Abdullah Bin Aeid Manzal AlAwadhah	Almunajem Cold Stores Company (CR No. 1010231822)	5 Hijri years starting from 01/04/1442H and expiring on 30/3/1447H. The tenant has a grace free period from the date of signing the Agreement being 01/11/1441H up to the start date of the term of the lease being 01/04/1442H.	In the event the Landlord renews the headlease with the AlJouf municipality, then this lease shall renew automatically unless either party gives notice of its intention not renew at least 30 days prior to expiry.	Yearly rent of SAR 100,000. The yearly rent amount for any renewed period shall be SAR 120,000. In the event the AlJouf municipality increase the rent under the headlease then the Tenant under this lease shall be responsible for 50% of the increased rent amount not exceeding SAR 10,000.	The Tenant may sublease part or whole of the premises to another third party. The lease agreement is silent on assignment.	None.	In the event the Landlord breaches any provisions of the lease, the Tenant may terminate the lease agreement and the Landlord shall compensate the Tenant for any damages or losses suffered by the Tenant. The Tenant has the right to terminate the lease anytime during the term upon providing 15 days prior notice to the Landlord.

No.	Branch Name and Location	Area (square meters)	Landlord	Tenant	Term including start and expiry	Renewal	Rent	Assignment and/or Sub-lease	Change of Control	Termination Provisions
2.	Al Sulay (Riyadh)	49,722 square meters	Abdullah Ali Almunajem Sons company	Almunajem Cold Stores Company CR No. (101231822)	20 Gregorian years starting on 01/01/2020G and expiring on 31/12/2039G. The tenant has a grace period from the date of signing the contract on 01/11/1441H until the date of the start of the lease period on 01/04/1442H	Automatic renewal unless either party gives notice of their intention not renew at least 3 months prior to expiry.	Yearly rent amount of SAR 1,990,000 (excluding VAT). The yearly rental value is reviewed every 5 years by an external evaluator, and the evaluator's cost is paid equally between the two parties.	Assignment and/or sublease is only permitted with the prior written approval of the Landlord.	None.	The Landlord may terminate the lease agreement if the Tenant does not pay rent due thirty (30) days after receiving written notice of the rent due, the Tenant assigns part or whole of the lease agreement without prior written approval of the Landlord and if the Tenant uses the premises for any other activity that breaches the regulations in the Kingdom of Saudi Arabia. The Tenant may terminate the agreement by written notice to the Landlord in the event that Landlord breaches any of its obligations under the lease and such breach was not rectified within 30 days of the notice provided.

Source: The Company

Table (12-22): Meat Factory

No.	Branch Name and Location	Area (square meters)	Landlord	Tenant	Term including start and expiry	Renewal	Rent	Assignment and/or Sublease	Change of Control	Termination Provisions
1.	Jeddah – Meat Factory	7,528 square meters	Saudi Industrial Property Authority (Modon)	Almunajem Cold Stores Company Meat Factory (CR No. not specified in the lease.)	20 Hijri years starting from 09/07/1439H and expiring on 08/07/1459H.	No automatic renewal provision - renewal by mutual agreement.	Yearly rent of SAR 37,640.	Assignment and/or sublease is only permitted with the prior written approval of the Landlord.	Company will need to obtain the prior written approval of the Landlord prior to amending its commercial registration certificate. The Landlord will only consider applications for any amendments to the Company's commercial registration certificate (including amendments relating to change in shareholding of the Company) once the Company has commenced production and such production has continued for two (2) consecutive years. Given that the Company has commenced and is still engaged in production for more than two years, it is not required to obtain the written consent of the Landlord before amending the Company's commercial registration certificate (including amendments related to the change in the Company's ownership).	The Landlord may terminate the lease agreement in the event the Tenant breaches its obligations under the lease, does not insure the building, equipment and machinery, assigns or sublets the premises without the Landlord's written approval and due to insolvency proceedings of the Tenant. No right of termination for the Tenant in the event the Landlord breaches its obligations under the lease.

Source: The Company

Table (12-23): Offices

No.	Branch Name and Location	Area (square meters)	Landlord	Tenant	Term including start and expiry	Renewal	Rent	Assignment and/or Sublease	Change of Control	Termination Provisions
1.	Riyadh (Office No. 131)	75 square meters	Hamood Abdullah AlHathloul (ID No. 1005649759)	Almunajem Cold Stores Company (CR No. 1010465454)	One Gregorian year starting from 15/03/1442H and expiring on 25/03/1443G.	No automatic renewal provision - renewal by mutual agreement	Yearly rent of SAR 17,000	The Tenant may not assign and/or sublease part or whole of the premises without having the right to do so.	In the event there has been a change of ownership, the lease agreement remains valid and effective.	The lease agreement is terminated in the event either party breaches its obligations under the lease and does not ratify such breach within 15 days from receiving notice, the Tenant breaches its obligations for more than 30 days after receiving a written notice, the Tenant does not open the premises within 5 days from the agreement date, the Tenant does not comply to the handover requirements within 15 days from the agreement date, the Tenant becomes bankrupt, the Tenant delays payment for more than 30 days after receiving notice from the Landlord, the Tenant assigns and/or subleases part or whole of the premises without having the right to do so, the Tenant commences any changes to the premises that will expose it to danger of any kind and may not be reverted back to its original form and if the premises is used for any other purpose that breaches the rules and regulations in Saudi Arabia.

1 This office space lease corresponds to the Company's non-operating cleaning branch.

No.	Branch Name and Location	Area (square meters)	Landlord	Tenant	Term including start and expiry	Renewal	Rent	Assignment and/or Sublease	Change of Control	Termination Provisions
2.	Riyadh - 3 Offices on Al Takhassusi Street2	One office in the first floor with an area of 686 square meters and 2 offices in the second floor with an area of 626 square meters and 184 square meters. Total area is 1,137 square meters.	Abdullah Ali Almunajem Sons company	Almunajem Cold Stores Company CR No. (101231822)	5 Gregorian years starting on 01/08/2019G and expiring on 31/12/2024G.	Automatic renewal unless either party gives notice of their intention not renew at least 3 months prior to expiry.	Yearly rent amount of SAR 534,500 (excluding VAT)	Assignment and/or sublease is only permitted with the prior written approval of the Landlord.	None.	The Landlord may terminate the lease agreement if the Tenant does not pay the rent due within 30 days from the due date, the Tenant breaches any of its obligations and if the Tenant stops its activity in the premises for a period of two months. The Tenant has the right to terminate the lease agreement by way of written notice if the Landlord breaches its obligations and does not rectify the breach thirty (30) days after receiving the written notice from the Tenant.

2 The Company's head office and Al Sulay Cold Store branch are registered under the same commercial register.

No.	Branch Name and Location	Area (square meters)	Landlord	Tenant	Term including start and expiry	Renewal	Rent	Assignment and/or Sublease	Change of Control	Termination Provisions
3.	Riyadh - Office on Al Takhassusi Street	63 square meters	Abdullah Ali Almunajem Sons Company	The Company CR No. (101231822)	2 Gregorian years starting on 01/07/2021G and expiring on 30/06/2023G.	Automatic renewal unless either party gives notice of their intention not renew at least 3 months prior to expiry.	SAR 25,000 (excluding VAT)	Assignment and/or sublease is only permitted with the prior written approval of the Landlord.	None.	The Landlord may terminate the lease agreement if the Tenant does not pay the rent due within 30 days from the due date, the Tenant breaches any of its obligations and if the Tenant stops its activity in the premises for a period of two months. The Tenant has the right to terminate the lease agreement by way of written notice if the Landlord breaches its obligations and does not rectify the breach thirty (30) days after receiving the written notice from the Tenant.

Source: The Company

Table (12-24): Accommodation

No.	Branch Name and Location	Area (square meters)	Landlord	Tenant	Term including start and expiry	Renewal	Rent	Assignment and/or Sublease	Change of Control	Termination Provisions
1.	Taif - Sail Al Sagheer (12 apartment units)	Not specified in the lease.	Khaled Ghaweli Sawel Alqanami	Almunajem Cold Stores Company (CR No. not specified in the lease.)	3 Hijri years starting from 10/01/1441H and expiring on 10/01/1444H.	Automatic renewal unless either party gives notice of their intention not renew at least 30 days prior to expiry.	Yearly rent of SAR 100,000.	Sublease is not permitted. The lease agreement is silent on assignment.	None.	The Landord may terminate the lease agreement in the event the Tenant breaches its obligations under the lease. No right of termination for the Tenant in the event the Landlord breaches its obligations under the lease. No period of time has been allocated to the Tenant to rectify any breaches prior to the Landlord's right to terminate the lease.

No.	Branch Name and Location	Area (square meters)	Landlord	Tenant	Term including start and expiry	Renewal	Rent	Assignment and/or Sublease	Change of Control	Termination Provisions
2.	11 apartments for the employees of the Tenant in Atiqa District and Wadi Laban District (Riyadh)	Not specified in the lease.	Abdullah Ali Almunajem Sons Company	Almunajem Cold Stores Company CR No. (101231822).	5 Gregorian years starting on 01/01/2020G and expiring on 31/12/2024G.	Automatic renewal unless either party gives notice of their intention not renew at least 3 months prior to expiry.	Yearly rent amount of SAR 209,100 for the 11 apartments.	Assignment and/or sublease is only permitted with the prior written approval of the Landlord.	None.	The Landlord may terminate the lease agreement if the Tenant does not pay the rent due within 30 days from the due date and if the Tenant breaches any of its obligations. The Tenant has the right to terminate the lease agreement by way of written notice if the Landlord breaches its obligations and does not rectify the breach thirty (30) days after receiving the written notice from the Tenant.

No.	Branch Name and Location	Area (square meters)	Landlord	Tenant	Term including start and expiry	Renewal	Rent	Assignment and/or Sublease	Change of Control	Termination Provisions
3.	2 apartments for the employees of the Tenant in Al Rabwa District (Riyadh)	Not specified in the lease.	Ali Abdulla Ali Almunajem	Almunajem Cold Stores Company CR No. (101231822).	5 Hijri years starting on 01/01/1442H and expiring on 30/12/1446H.	Automatic renewal unless either party gives notice of their intention not renew at least 3 months prior to expiry.	Yearly rent amount of SAR 46,600.	Assignment and/or sublease is only permitted with the prior written approval of the Landlord.	None.	The Landlord may terminate the lease agreement if the Tenant does not pay the rent due within 30 days from the due date and if the Tenant breaches any of its obligations. The Tenant has the right to terminate the lease agreement by way of written notice if the Landlord breaches its obligations and does not rectify the breach thirty (30) days after receiving the written notice from the Tenant.

No.	Branch Name and Location	Area (square meters)	Landlord	Tenant	Term including start and expiry	Renewal	Rent	Assignment and/or Sublease	Change of Control	Termination Provisions
4.	Riyadh (2 residential buildings)	Not specified in the lease.	Majed bin Thaif Allah bin Mthai Al-Gharbi	Almunajem Cold Stores Company (CR No. 1010231822)	5 Hijri years starting on 14/09/1439H and expiring on 14/09/1444H.	Automatic renewal unless either party gives notice of their intention not renew at least 6 months prior to expiry.	Yearly rent of SAR 550,000	The lease agreement is silent on assignment and/or sublease.	None.	The Landlord may terminate the lease agreement in the event the Tenant breaches its obligations under the lease and does not pay the rent due, does not repair any damages in the building or stores any chemical or dangerous substances at the leased premises. The Tenant has the right to terminate the lease whenever it wishes 5 years from the date of the lease. No right of termination for the Tenant in the event the Landlord breaches its obligations under the lease. No period of time has been allocated to the Tenant to rectify any breaches prior to the Landlord's right to terminate the lease

No.	Branch Name and Location	Area (square meters)	Landlord	Tenant	Term including start and expiry	Renewal	Rent	Assignment and/or Sublease	Change of Control	Termination Provisions
5.	Khamis Mushait (a residential building with 5 apartments)	Not specified in the lease.	Abdullah Awath Mohammed	Almunajem Cold Stores Company (CR No. not specificed in the lease.)	One Hijri year starting from 13/05/1442H and expiring on 12/05/1443H	Automatic renewal unless either party gives notice of their intention not to renew at least 15 days prior to expiry. On 14/12/2020G the Company paid the Landlord SAR 34,000 (50% of the full rental amount) and confirmed renewal of the lease until 23/06/2021G. On 16/06/2021 the Company paid to the Landlord the amount of SAR 34,000 (50% of the full rental amount) and confirmed renewal of the lease until 28/12/2021G.	Yearly rent of SAR 68,000	Assignment is only permitted with the prior written approval of the Landlord. The lease agreement is silent on sublease.	None.	The Landlord may terminate the lease agreement in the event the Tenant breaches its obligations under the lease. No right of termination for the Tenant in the event the Landlord breaches its obligations under the lease. No period of time has been allocated to the Tenant to rectify any breaches prior to the Landlord's right to terminate the lease
6.	Sakakah (a residential building)	Not specified in the lease.	Mohammed Ahmed Drzi Aldghmi	Almunajem Cold Stores Company (CR No: 1010231822)	Four Hijri Years starting from 24/07/1439H and expiring on 25/07/1443H.	Automatic renewal unless the Landlord notifies the Tenant of its intention not to renew at least six (6) months prior to the expiry of the lease.	Yearly rent of SAR 80,000.	None.	None.	The Tenant may terminate this lease at any time after one (1) year from the commencement of the term of the lease on the condition that the rent amounts due for the period of the tenancy up to the period of termination has been paid.

No.	Branch Name and Location	Area (square meters)	Landlord	Tenant	Term including start and expiry	Renewal	Rent	Assignment and/or Sublease	Change of Control	Termination Provisions
7.	Sakakah (12 residential units)	120 square meters	Mohamed Aref Munawer Al-Serhani	The Company (CR No: 340011990)	3,652 days starting from 03/10/1442H and expiring on 22/01/1453H.	If the parties wish to renew, a renewal agreement shall be prepared in writing with their mutual agreement	Total rent of SAR 1,299,960	The Tenant may sub-lease the unit to a third party, without referring to the Landlord. The Lease Agreement does not contain any assignment rights	None.	Either party may terminate the lease, if the other party breaches its obligations arising therefrom, after the breaching party has been notified and has not fulfilled its obligations or remedied the damage caused thereby within fifteen (15) days from said notification. The Tenant may terminate his lease for any reason after two years from the commencement of the term of the lease

Source: The Company

12.6 Properties Owned by the Company

The tables below set out a summary of the properties owned by the Company for the purpose of operating its Cold Store branches and securing accommodation for the Company's employees.

Table (12-25): Cold /Stores:

No.	Branch Name and Location	Deed No.	Deed Date	Area	Owner
1.	Jeddah	170	16/09/1410H	7,221.52 square meters	The Company (Commercial Register: 1010231822)
		636	22/10/1414H	9,997.5 square meters	The Company (Commercial Register: 1010231822)
2.	Makkah	358/322/4	24/03/1422H	8,987.32 square meters	The Company (Commercial Register: 1010231822)
3.	Burieda	362508010232	13/07/1440H	15,007.11 square meters	The Company (Commercial Register: 1010231822)
4.	Dammam	330107011601	25/03/1432H	15,817.80 square meters	The Company (Commercial Register: 1010231822)
5.	Khamis Mushait	971709003663	10/04/1442H	6,250 square meters	The Company (Commercial Register: 1010231822)
6.	Madina	119/4/2	05/06/1412H	7,053.32 square meters	The Company (commercial register: not applicable)
7.	Hail	342107011031	08/05/1442H	1,554.91 square meters	The Company (Commercial Register: 1010231822)
		242104009598	08/05/1442H	1,520.49 square meters	The Company (Commercial Register: 1010231822)
8.	Ahsa	930803018984	24/04/1442H	7,797.81 square meters	The Company (Commercial Register: 1010231822)
9.	Jizan	772012000785	16/04/1442H	17,075.03 square meters	The Company (Commercial Register: 1010231822)
10.	Tabuk	950110003886	04/11/1438H	24,000 square meters	The Company (Commercial Register: 1010231822)

Source: The Company

Table (12-26): Housing

No.	Branch Name and Location	Deed No.	Deed Date	Area	Owner
1.	Burieda	330101006414	05/06/1428H	1,196.88 square meters	The Company (Commercial Register: 1010231822)
2.	Jeddah	320214013896	09/04/1437H	780.01 square meters	The Company (Commercial Register: 1010231822)
3.	Jeddah (old employees housing)	385	11/03/1418H	2,520 square meters	The Company (Commercial Register: 1010231822)

Source: The Company

12.7 Related Party Transactions

The Directors confirm none of the agreements with Related Parties described under this section contain preferential conditions, and have been concluded in accordance with laws and regulations on an arm's length basis. Except as disclosed in this section of this Prospectus, the Directors confirm that the Company is not bound by any transactions, agreements, commercial relations or real estate transactions with a Related Party, including the Financial Advisor and the Legal Advisor in respect of the Offering.

Moreover, the Directors acknowledge their intention to comply with Articles 71 and 72 of the Companies Law and Article 46 of the Corporate Governance Regulations issued in relation to contracts with the Related Parties. The General Assembly has approved all dealings and contracts with related parties for the financial years ended 2018G, 2019G and 2020G, and the period ended 31 March 2021G, respectively.

The Company's purchases of goods from Related Parties amounted to SAR 186,058,995, SAR 504,434,132, SAR 475,493,356 and SAR 113,695,636 of total purchases made for the financial years ended 2018G, 2019G and 2020G, and the period ended 31 March 2021G, respectively. Products sold by the Company to the Related Parties amounted to SAR 48,592,077, SAR 45,296,606, SAR 50,247,982 and SAR 12,674,276 of total sales for the financial years ended 2018G, 2019G and 2020G, and the period ended 31 March 2021G, respectively.

Furthermore, rent charged by Related Parties amounted to SAR 1,324,482, SAR 1,479,153, SAR 2,758,680 and SAR 2,604,000 of the total rent expenses for the financial years ended 2018G, 2019G and 2020G, and the period ended 31 March 2021G, respectively. Rent charged to Related Parties amounted to SAR 1,419,886, SAR 3,306,829, SAR 1,857,628 and SAR 487,794 for the financial years ended 2018G, 2019G and 2020G, and the period ended 31 March 2021G, respectively.

The value of the IT service level agreement provided by the Company to Related Parties amounted to SAR 2,688,562, SAR 1,919,750, SAR 2,373,999 and SAR 649,647 for the financial years ended 2018G, 2019G and 2020G, and the period ended 31 March 2021G, respectively. The net value of shared services provided by the Company to Related Parties amounted to SAR 2,297,353, SAR 4,895,265, SAR 6,532,490 and SAR 1,949,273 for the financial years ended 2018G, 2019G and 2020G, and the period ended 31 March 2021G, respectively. Shared services provided by Related Parties to the Company amounted to SAR 25,970, SAR 33,195, SAR 29,742 and SAR 8,248 for the financial years ended 2018G, 2019G and 2020G, and the period ended 31 March 2021G, respectively.

The Company also entered into an agreement with Al-Kafaa Real Estate Company dated 02/09/2020G to sell assets not relating to the Company's operations for an amount of SAR 14,053,834, and an agreement with Nutrition & Diet Centre Company dated 04/04/2021G to purchase assets and equipment to operate the meat factory in Jeddah for an amount of SAR 3,656,268.

12.7.1 Related Party Leases

The Company has entered into 4 leases with Related Parties out of 11 leases in total. The value of Related Party Leases amounted to SAR 2,780,200 (annually). These leases are as follows:

- 1 lease agreement entered into by the Company with Abdullah Ali Almunajem Sons Company Sons Company for Sulay warehouse branch in Riyadh (for more information, please refer to Table 12-21 ("**Cold Store Branches**")).
- 1 lease agreement entered into by the Company with Abdullah Ali Almunajem Sons Company for the offices of the Company's head office (for more information, please refer to Table 12-23 ("**Offices**")).
- 1 lease agreement entered into by the Company with Abdullah Ali Almunajem Sons Company for residential apartments for the Company's employees (for more information, please refer to Table 12-24 ("**Accommodation**")).
- 1 lease agreement entered into by the Company with Abdullah Ali Almunajem Sons Company for residential apartments for the Company's employees (for more information, please refer to Table 12-24 ("**Accommodation**")).
- 1 lease agreement entered into by the Company with Abdullah Ali Almunajem Sons Company for an office space (for more information, please refer to Table 12-23 ("**Offices**")).

The General Assembly approved all lease contracts with Related Parties at its meeting held on 11 March 2021G, as well as the lease agreement of an office with Abdullah Ali Almunajem Sons Company entered into on 01/07/2021G, which was approved by the General Assembly on 22 September 2021G.

12.7.2 Related Party Supply Dealings

The Company has supply dealings with France Poultry (a Related Party) representing 31.7%, 27.2%, 26.4% and 27.9% of the total volume of the Company's purchases for the financial years ending in 2018G, 2019G and 2020G and for the period ended 31 March 2021G, respectively. These dealings were not previously subject to a signed contract nor to main terms (for further information, please see Section 12.5.2 "**Summary of main terms of arrangements with Key Suppliers not subject to signed supply contracts**"). On 1 December 2020G, the Company signed supply contract with France Poultry, under which the Company imports poultry products (for more information, please see Table 12.20 "**Supply Contract between France Poultry SASU and the Company**").

Furthermore, the Company has supply dealings for staff meals with Nutrition & Diet Centre Company, Gulf Catering Company, Azzad Saudi Company, and Shawaya House Company. Such dealings were not previously subject to a signed contract nor the main terms. However, the Company entered into supply agreements for staff meals with Nutrition & Diet Centre Company on 02/03/2021G, with Gulf Catering Company on 22/02/2021G, with Azzad Saudi Company 22/02/2021G, and with Shawaya House Company on 03/03/2021G.

The Company purchases products for sale from Sudair Frozen Meals Factory (a branch of Nutrition and Diet Center) for frozen ready-made meals, which were not previously subject to a signed contract nor the main terms. On 02/03/2021G, the Company entered into a product purchase agreement for sale with Sudair Frozen Meals Factory (a branch of Nutrition and Diet Center).

On 17 August 2020G, the Company entered into a contract with Buraida Trading & Refrigeration Company (a Related Party) for the supply and installation of insulated and refrigerated containers for a total amount of one million one hundred seventy two thousand eight hundred and eighty Saudi Riyals (SAR 1,172,880). Said contract includes the terms and conditions under which Buraida Trading & Refrigeration Company supplies and installs insulated and refrigerated containers in a number of the Company's vehicles, as agreed upon between the parties therein. Additionally, the Company enters into several such contracts whenever the provisions of such services is required for its vehicles, and such contracts provide a five-year guarantee for containers for reasons other than breakage and accidents.

The General Assembly approved all supply transactions with Related Parties at its meeting held on 11 March 2021G.

12.7.3 Related Party Sale Agreements

The Company has entered into sale agreements with five customers who are Related Parties. Such agreements are not subject to signed contracts and do not include main terms, but rather are based on account opening forms and purchase orders, (for further information, please see Section 12.5.3.1 "**Summary of the Main Conditions of the Sale Agreements with Key Customers**"). The sale agreements concluded with the five customer (Related Parties) amounted to SAR 48,592,077, SAR 45,296,606, SAR 50,247,982 and SAR 12,674,276 for the financial years ended 2018G, 2019G and 2020G, and the period ended 31 March 2021G, respectively.

These sale agreements entered into with the 5 customers:

- Shawaya House Company;
- Gulf Catering Company;
- Thati Limited Company;
- Azzad Saudi Company; and
- Nutrition & Diet Centre Company.

The sale of food products from the Company to the customers is made pursuant to purchase orders submitted via emails. Purchase orders and emails set out the food products, their quantities, the prices, and delivery date, and are subject to the terms relating to delivery, return and replacement of goods if they do not conform to the specifications and conditions provided by the customers. The credit period is between 21-45 days, according to the provisions of the account opening forms entered into with the customers.

The General Assembly approved all Related Party sale agreements at its meeting held on 11 March 2021G.

12.7.4 Other Related Party Agreements

12.7.4.1 IT Service Level Agreement with Abdullah Ali Almunajem Sons Company

The IT Service Level Agreement concluded on 28 October 2020G provides the terms and conditions under which the Company provides IT services to Abdullah Ali Almunajem Sons Company and its subsidiaries (which include Related Parties). The term of the IT Service Level Agreement expires on 31 December 2020G and is automatically renewable for a period of two years, unless either party notifies the other otherwise two months prior to the expiry of the term thereof. The Agreement was renewed for two years, starting from 1 January 2021G.

The General Assembly approved the IT Service Level Agreement entered into on 28 October 2021G at its meeting held on 11 March 2021G.

12.7.4.2 Shared Services Agreement

The Company had provided shared services to several Related Parties, and such arrangements were not subject to signed contracts. To document such dealings and outline the services provided, the Company entered into a shared services agreement (the "**Shared Services Agreement**") on 10 November 2020G with Abdullah Ali Almunajem Sons Company, a Related Party (as Abdullah Ali Almunajem Sons Company holds shares in the Company).

The Shared Services Agreement stipulates the terms and conditions under which the Company provides certain logistics and support services to the following subsidiaries of Abdullah Ali Almunajem Sons Company: (1) Shawaya House Company, (2) Azzad Saudi Company, (3) Nutrition & Diet Centre Company (including its branch, Sudair Frozen Factory), (4) Buraida Trading and Refrigeration Company, (5) Gulf Catering Company, (6) Gulf Catering Food Factory, (7) Al-Ameda Construction Company, and (8) Thati Limited Company, which pertain to the premises shared by the Company and the Related Parties and sites leased or owned by the Company in Saudi Arabia.

The Company receives an at-cost fee for each of the services it provides under the Shared Services Agreement, as set forth in the Agreement.

The term of the Shared Services Agreement is one year, starting from 1 January 2020G, and is automatically renewable for a similar period, unless either party notifies the other otherwise one month prior to the expiry thereof. This Agreement has been renewed for one year, starting from 1 January 2021G.

As at the date of this Prospectus, the Shared Services Agreement has been made on arm's length basis.

Moreover, Abdullah Ali Almunajem Sons Company provides customer and supplier communications services to the Company, which services had not been subject to a signed contract or the main terms. On 24 February 2021G, the Company entered into a call center services agreement with Abdullah Ali Almunajem Sons Company.

The General Assembly approved the Shared Services Agreement entered into on 10 November 2020G at its meeting held on 11 March 2021G.

12.7.4.3 Tax Indemnity Agreement

The Company was a member of the Zakat and VAT groups in Abdullah Ali Almunajem Sons Company (the Substantial Shareholder). The Company decided, due to the Offering, to revoke its membership in both of the abovementioned groups. On 6 December 2020G, Abdullah Ali Almunajem Sons Company entered into a tax indemnity letter on behalf of the Company ("**Tax Indemnity Letter**"). (For further information, please see Section 2.2.8 ("**Risks related to Zakat and Tax**")).

In the Tax Indemnity Letter, Abdullah Ali Almunajem Sons Company undertakes to indemnify the Company from and cover the risk of any Zakat, VAT, and other tax liabilities, including any interest or penalties imposed on the Company, for the period prior to 2021G.

The Tax Indemnity Letter provides that such undertaking applies only if the tax liability is imposed or assessed on the Company, or became payable, under the applicable law in Saudi Arabia, or otherwise pertains to any period prior to the date on which the Company revoked its foregoing memberships.

The General Assembly approved the Tax Indemnity Letter entered into on 6 December 2020G at its meeting held on 11 March 2021G.

12.7.4.4 Agreements for the Sale and Purchase of Assets and Equipment

The Company entered into an agreement with Al-Kafaa Real Estate Company on 02/09/2020G to sell assets not related to the Company's operations for SAR 14,053,834. The General Assembly approved this Agreement at its meeting held on 20 June 2021G.

The Company entered into an agreement with Nutrition & Diet Centre Company on 04/04/2021G to purchase assets and equipment to operate the meat factory in Jeddah for an amount of SAR 3,656,268. The General Assembly approved this Agreement at its meeting held on 22 September 2021G.

12.8 Credit Facilities and Loans

Table (12-27): Facilities between the Saudi British Bank and the Company, dated 7 January 2021G, for a total amount of SAR 180,000,000:

Type of Facility/ Purpose/ Amount	Combined Facilities • Murabaha Liquidity Finance by Metal. • Murabaha Financing: Documentary Credits. Combined Facilities Limit: SAR 180,000,000. • Murabaha Liquidity Finance by Metal (Tawarruq): **Facility Limit:** SAR 100,000,000. **Purpose:** For Working Capital requirements. **Mark-up (Profit Margin):** SIBOR + 1% per annum. • Murabaha Financing: Documentary Credits: • Facility limit: SAR 180,000,000. • Purpose: To Finance Imports under Documentary Credits, Inward Bills Collection. • DC Opening Cost: SAMA Tariff.
Outstanding Obligations	SAR 40,000,000 as at 31 March 2021G.
Term	Expires on 30 September 2021G
Guarantees	These facilities are guaranteed by way of a corporate guarantee issued by AAA (the Substantial Shareholder) for SAR 203,750,000 dated 20 December 2018G. An order note for SAR 180,000,000 was signed by AMF and guaranteed by AAA (the Substantial Shareholder) dated 07 January 2021G. The Substantial Shareholder will ask the bank to exclude these guarantees following the IPO.

Source: The Company

Table (12-28): Facilities between the Saudi British Bank and the Company, dated 8 June 2021G, for a total amount of SAR 20,000,000:

Type of Facility/ Purpose/ Amount	**Bills payable facility** **Facility Limit:** SAR 20,000,000 **Purpose:** Purchasing approved invoices to finance approved supplier invoices, as approved by the buyer **Profit markup:** LIBOR / SIBOR + 0.75% per annum **Maximum billing cycle:** 180 days
Outstanding Obligations	There are no outstanding obligations as at 31 March 2021G.
Term	Expires on 30 September 2021G.
Guarantees	These facilities are guaranteed by way of a corporate guarantee issued by AAA (the Substantial Shareholder) for SAR 20,000,000 dated 8 June 2021G. An order note for SAR 20,000,000 was signed the Company on 8 June 2021G, and guaranteed by AAA (the Substantial Shareholder) on 8 June 2021G. The Substantial Shareholder will ask the bank to exclude these guarantees following the IPO.

Source: The Company

Table (12-29): Facilities between the Banque Saudi Fransi and the Company, dated 23 November 2020G, for a total amount of SAR 220,000,000:

Type of Facility/ Purpose/ Amount	**Multi-Purpose Facility/Financing:** • **Purpose:** for the issuance of letters of import documentary credits, bid bonds, advance payment bonds and/or performance bonds and the financing of the purchase and sale of commodities (Al Tawarroq) and/or payment guarantee facilities. – **Facility 1.1** • **Facility Limit:** SAR 220,000,000. • **Facility Type:** Al Tawarroq. • **Profit markup:** SIBOR + 1% per annum. – **Facility 1.2** • **Facility Sub Limit:** SAR 130,000,000. • **Facility Type:** Multi Import Letters of Credit. • **Pricing:** As per tariff. – **Facility 1.3** • **Facility Sub Limit:** SAR 10,000,000. • **Facility Type:** Multi Bonding and/or Payment Guarantees. • **Pricing:** As per tariff.
Outstanding Obligations	SAR 10 million as at 31 March 2021G
Term	Expires on 31 October 2021G
Guarantees	These facilities are guaranteed by way of a corporate guarantee issued by AAA for SAR 220,000,000 dated 23 November 2020G. An order note for SAR 220,000,000 was signed by the Company on 23 November 2020G. The Substantial Shareholder will ask the bank to exclude these guarantees following the IPO.

Source: The Company

Table (12-30): Facilities between the Saudi National Bank (formerly, Samba Financial Group) and the Company, dated 13 December 2020G, for a total amount of SAR 460,000,000:

Type of facility/ purpose/ amount	**Facility 1:** • **Type of Facility:** Letter of Credit. • **Purpose:** for the issuance of Letters of Credit. • **Amount:** SAR 150,000,000. • **Tenor & Pricing:** – **Type:** LC Opening. **Tenor:** 360 days. **Pricing:** SAMA Rate. – **Type:** Acceptance LC Opening. **Tenor:** 180 days. **Pricing:** SAMA Rate. – **Type:** Acceptance / Usance LC. **Tenor:** 180 days. **Pricing:** 1% per annum. – **Type:** Avalization. **Tenor:** 360 days. **Pricing:** 1% per annum.

	Facility 2: • **Type of Facility:** Letter of Guarantee – General. • **Purpose:** for the issuance of Bid Bond, Performance Bond, Advance Payment Guarantee and Payment Guarantee. • **Amount:** SAR 10,000,000. • **Tenor & Pricing:** – **Type:** Bid Bond. **Tenor:** 365 days. **Pricing:** SAMA Rate. – **Type:** Advance Payment. **Tenor:** 1095 days. **Pricing:** SAMA Rate. – **Type:** Performance Bond. **Tenor:** 1825 days. **Pricing:** SAMA Rate. – **Type:** Payment Guarantee. **Tenor:** 1825 days. **Pricing:** 1% per annum.
	Facility 3: • Type of Facility: Murabaha Direct Customer Finance. • Purpose: Short Term Working Capital Loans. • Amount: SAR 300,000,000. • Tenor: 365 days. • Pricing: SIBOR + 1% per annum
Outstanding Obligations	SAR 81 million as at 31 March 2021G
Term	Expires on 30 November 2021G.
Guarantees	These facilities are guaranteed by way of a corporate guarantee issued by AAA for SAR 460,000,000 dated 13 December 2020G. An order note for SAR 460,000,000 was signed by the Company and guaranteed by AAA on 14 December 2020G. The Substantial Shareholder will ask the bank to exclude these guarantees following the IPO.

Source: The Company

12.9 Insurance

The Company maintains insurance policies covering different types of risks to which it may be exposed. The following table sets out the key particulars of the insurance policies held by the Company:

Table (12-31): Details of Insurance Policies:

Type	Insurer	Policy Number	Duration	Sum Insured	Coverage
Property All Risks	Saudi Arabian Cooperative Insurance Company	P/102/24/1003/2021/101/6	From 01/01/2021G to 31/12/2021G	SAR 545,450,000	Buildings and contents including machinery, fixtures and stock etc.
Motor Insurance (Trucks)	Saudi Arabian Cooperative Insurance Company	P/102/24/521/2021/501/211	From 17/04/2021G to 16/04/2022G	SAR 10,000,000	Loss or damage to insured motor vehicle and liability to third parties
Motor Insurance (Sedans)	Saudi Arabian Cooperative Insurance Company	P/102/24/5021/2020/501/286	From 01/07/2021G to 30/06/2022G	SAR 10,000,000	Loss or damage to insured motor vehicle and liability to third parties
Land Transit	Saudi Arabian Cooperative Insurance Company	P/102/24/6001/2021/617/2	From 01/01/2021G to 31/12/2021G	SAR 400,000 per vessel/conveyance/shipment	All risks of loss or damage to goods in transit
Marine Cargo	Saudi Arabian Cooperative Insurance Company	P/102/24/6001/2021/606/E-156	From 15/05/2021G to 14/05/2022G	SAR 1,500,000,000	Loss or damage to Dry food and frozen food by sea and air

Type	Insurer	Policy Number	Duration	Sum Insured	Coverage
Money Insurance (Cash in Safe)	Saudi Arabian Cooperative Insurance Company	P/102/24/2021/2021/201/1	From 01/01/2021G to 31/12/2021G	SAR 24,400,000	Cash in locked safe or strong room and contained at the Company's premises
Money Insurance (Cash Transfer)	Saudi Arabian Cooperative Insurance Company	P102/24/2021/2021/201/18	From 10/02/2021G to 09/02/2022G	SAR 100,000,000	Cash in transit between the Company's premises and the bank.
Fidelity Guarantee (Sales Representatives)	Saudi Arabian Cooperative Insurance Company	P/102/24/2022/2021/201/15	From 10/02/2021G to 09/02/2022G	SAR 18,485,000	Employees dishonesty coverage
Fidelity Guarantee (Cashiers)	Saudi Arabian Cooperative Insurance Company	P/102/24/2022/2021/201/2	From 01/01/2021G to 31/12/2021G	SAR 7,110,000	Employees dishonesty coverage
Compulsory Cooperative Health Insurance - Group Health Insurance Plan	Malath Cooperative Insurance Company	9003081	From 01/01/2021 to 31/12/2021	SAR 500,000 per person per policy year (overall annual maximum limit)	Compulsory employee medical coverage

Source: The Company

12.10 Intellectual Property

12.10.1 Trademarks

The Company has registered a number of trademarks with the Commercial Trademarks Department of Ministry of Commerce on which it relies as a brand for its respective businesses. As at the date of this Prospectus, the Company relies on these trademarks to ensure the success of its businesses and support its competitive position in the market. Therefore, if the Company is unable to protect its trademarks, this can have an adverse effect on its ability to use them, which would in turn affect its businesses and results of operations. For more details, see Section 2.1.13 ("**Risks related to protecting Company trademarks**").

The following table sets out the main details of all the Company's registered trademarks in the Kingdom of Saudi Arabia. The Company currently uses a number of such trademarks, and has plans to use some of such trademarks in future.

Table (12-32): Details of Registered Trademarks:

Country of Registration	Trademark Number	Expiry Date	Classification	Logo
Saudi Arabia	1442021342	08/07/1452H (corresponding to 04/11/2030G)	43	المنجم ALMUNAJEM Foods للأغذية
Saudi Arabia	1438006202	12/03/1448H (corresponding to 25/08/2026G)	29	داري Dari
Saudi Arabia	1438006199	12/03/1448H (corresponding to 25/08/2026G)	31	داري Dari

Country of Registration	Trademark Number	Expiry Date	Classification	Logo
Saudi Arabia	1438006196	12/03/1448H (corresponding to 25/08/2026G)	32	
Saudi Arabia	1438006200	12/03/1448H (corresponding to 25/08/2026G)	30	
Saudi Arabia	143302052	12/02/1443H (corresponding to 19/09/2021G)	29	
Saudi Arabia	1438006317	13/03/1448H (corresponding to 26/08/2026G)	31	
Saudi Arabia	142910301	16/09/1449H (corresponding to 12/02/2028G)	32	
Saudi Arabia	142910302	16/09/1449H (corresponding to 12/02/2028G)	30	
Saudi Arabia	142910303	16/09/1449H (corresponding to 12/02/2028G)	29	
Saudi Arabia	142910304	16/09/1449H (corresponding to 12/02/2028G)	31	
Saudi Arabia	47/1409	02/05/1443H (corresponding to 06/12/2021G)	29	
Saudi Arabia	91/1537	06/06/1443H (corresponding to 09/01/2022G)	29	
Saudi Arabia	143414465	25/11/1444H (corresponding to 14/06/2023G)	29	

12.10.2 Other Intellectual Property Rights:

The Company has registered an internet domain in its name. The following Table shows the details of the internet domain registered in the name of the Company:

Table (12-33): Details of the Internet Domain Name:

Internet Domain Name	Expiry Date
almunajemfoods.com	17/02/2022G

12.11 Litigation

The Company is not involved in any litigation, lawsuits, actual or possible complaints, or existing investigations, which would, individually or collectively, have a material effect on the Company, nor is it aware of any threatened or pending material litigation, or any facts which may, individually or collectively, give rise to a material effect on the Company.

12.12 Summary of the Bylaws

The General Assembly approved the latest amendment to the Bylaws at its meeting held on 22 September 2021G, as follows.

12.12.1 Company's Name

The Company's name is Almunajem Foods Copany (a Saudi closed joint-stock company).

12.12.2 Objectives of the Company

- The Company carries out and undertakes the following activities:
- Wholesale of food and beverages.
- Retail sale of food in specialized stores.
- Retail sale in non-specialized stores with food and beverages predominating.
- Retail sale via mail order houses or via Internet.
- Wholesale on a fee or contract basis.
- Other retail sale of new goods in specialized stores.
- Wholesale of agricultural raw materials and live animals.
- Meat keeping and processing.
- Processing and keeping fish, crustaceans and Mollusca.
- Processing and keeping fruits and vegetables.
- Other food service activities.
- Storage.
- Freight transport by road.
- General cleaning of buildings.

The Company carries out its activities in accordance with applicable regulations, and after obtaining the necessary licenses from the competent authorities, if any.

12.12.3 Participation and Interest in Companies

The Company may participate in other companies as well as establish companies on its own (limited liability or closed joint stock), provided that the capital thereof is not less than (SAR 5,000,000) five million Saudi Riyals. It may own interests and shares in other existing companies or merge therewith and participate with others in establishing joint stock or limited liability companies, after obtaining all the requirements under the laws and regulations in relation to such. The Company may also dispose of such shares or stocks, provided that this does not include any brokerage.

12.12.4 Head Office of the Company

The Company's head office shall be in the city of Riyadh, in the Kingdom of Saudi Arabia. The Company may establish branches or offices for the Company within or outside Saudi Arabia by a board resolution.

12.12.5 Duration of the Company

The duration of the Company shall be ninety-nine (99) Gregorian years, commencing as at the date on which the Company is registered at the commercial register. The Company's duration may always be extended by a resolution of the Extraordinary General Assembly at least one (1) year prior to the expiration of the Company's term.

12.12.6 Capital of the Company

The capital of the Company shall be (SAR 600,000,000), divided into (60,000,000) shares of equal value, and the nominal value of each share shall be ten (10) Saudi Riyals. All shall be deemed as ordinary shares.

12.12.7 Share Subscription

The Shareholders have subscribed to the full number of capital shares amounting to (60,000,000) shares of equal value with a total value of sixty million Saudi Riyals (SAR 60,000,000).

The shareholders declare that they shall be jointly liable, and confirm that they have paid up (SAR 150,000,000) pre-conversion. As for the capital increase of (SAR 450,000,000), it has been fully paid up through the following:

1. The transfer of one hundred seven million five hundred and eighty-six thousand one hundred and one Saudi Riyals (SAR 107,586,101) from the shareholder's account to the account of the proposed capital increase;
2. The transfer of seventy five million Saudi Riyals (SAR 75,000,000) from the statutory reserve account to the account of the proposed capital increase; and
3. The transfer of two hundred sixty-seven million four hundred thirteen thousand eight hundred and ninety-nine (Saudi Riyals 267,413,899) from the retained earnings account to the account of the proposed capital increase.

The foregoing is based on the certificate of the auditor (Ernst & Young & Co. (Chartered Public Accounts)) issued on 16/04/1442H (corresponding to 01/12/2020G).

12.12.8 The Company's purchase, sale and mortgage of its shares

The Company may buy, sell and mortgage its shares, according to the rules specified by the competent authority.

12.12.9 Sale of Non-Paid up Shares

Each Shareholder undertakes to pay the value of the shares on the dates set for such payment. Should a Shareholder fail to pay at the due time, the Board of Directors may, after notification of the Shareholder via email or registered mail, sell the share at public auction or through the stock market, as the case may be, in accordance with controls set by the competent authority. The Company shall collect the amounts due thereto from the proceeds of the sale and return the remaining to the Shareholder. If the proceeds of the sale fall short of the amounts due, the Company shall have a claim on the entire fortune of the Shareholder for the unpaid balance. However, a defaulting Shareholder may, up to the date of sale, pay the amount owed thereby plus the expenses incurred by the Company in this regard. The Company shall cancel the shares sold in accordance with this Article, and issue to the purchaser new shares bearing the serial numbers of the cancelled shares, and make a note to this effect in the Shares Register specifying the name of new holder. The Shareholder shall pay the value of the share on the dates set for such payment. Should the Shareholder fail to pay at the due time, the Board of Directors may, after notification of the Shareholder via registered mail, sell the share at public auction or through the stock market, as the case may be, in accordance with controls set by the competent authority.

12.12.10 Issuance of Shares

The Company shares shall be nominal shares, and may not be issued at less than their nominal value, but may be issued at a value higher than said nominal value; in which case, the difference in value shall be added as a separate article relating to shareholder rights and may not be distributed as a shareholder dividend. A share shall be indivisible vis- -vis the Company. In the event that a share is owned by several persons, they shall select one person amongst them to exercise, on their behalf, the rights pertaining to said share, and they shall be jointly responsible for the obligations arising from ownership of said share.

12.12.11 Share Trading

Shares subscribed for by the Shareholders may only be traded after publishing the financial statements for two fiscal years, each covering a period of at least 12 months from the date of the Company's conversion. A notation shall be made on the respective share certificates, indicating their class, the date of conversion of the Company, and the period during which their trading shall be suspended.

During the lock-up period, shares may, in accordance with the legal provisions for sale of rights, be transferred from one Shareholder to another, from the heirs of a deceased Shareholder to a third party, or in case of seizure of the funds of an insolvent or bankrupt Founder, provided that the other Shareholders are given priority to own such shares.

The provisions of this Article shall be applicable to the Shareholders in case of capital increase before the expiry of the lock-up period.

12.12.12 Shareholders' Register

Company shares shall be traded by virtue of an entry made to the Shareholders' Register maintained or outsourced by the Company, which shall include the Shareholders' names, nationalities, residence addresses, and occupations; the numbers of the shares; and the amounts paid up on such shares. An annotation shall be made on the share indicating said entry. In as far as the Company or third parties are concerned, the transfer of shares shall only be effective from the date of the entry thereof in said register.

12.12.13 Capital Increase

1. The Extraordinary General Assembly may adopt a resolution to increase the Company's capital, provided that the original capital shall have been paid up in full. Said paid up provision shall not apply when the unpaid portion of capital is due to shares issued in exchange for the conversion of financing or debt instruments into shares, and the prescribed period for such conversion has not yet expired.
2. In any case, the Extraordinary General Assembly shall allocate capital increase shares or portions thereof to the employees of the Company and to the employees of all, some or none of its affiliates. Shareholders may not exercise preemptive rights upon the Company's issuance of shares allotted to employees.
3. Holders of shares at the time of the Extraordinary General Assembly's adoption of a resolution to increase the capital shall have preemptive rights to subscribe for the new shares, in exchange for cash shares. Shareholders shall be notified of their preemptive rights by publication in a daily newspaper or by registered mail stating the adoption of the resolution to increase capital, the terms of the offering, its duration, start and end dates.
4. The Extraordinary General Assembly may revoke the preemptive rights of shareholders to subscribe for the capital increase in exchange for cash shares, or vest said preemptive rights in non-shareholders when it deems that doing so is in the Company's best interest.
5. Shareholders may sell or assign their preemptive rights in the period that extends from the date upon which the General Assembly resolution is adopted to increase the capital until the last day open for subscription for the new shares associated with those rights, in accordance with the guidelines established by the competent authority.
6. Without prejudice to the provisions of paragraph 4 hereof, new shares shall be allotted to the holders of preemptive rights who have expressed interest to subscribe thereto, in proportion to their preemptive rights resulting from the capital increase; provided that their allotment does not exceed the number of new shares they have applied for. Remaining new shares shall be allotted to preemptive right holders who have asked for more than their proportionate stake, in proportion to their preemptive rights resulting from the capital increase, provided that their total allotment does not exceed the number of new shares they have asked for. Any remaining new shares shall be offered for public subscription, unless the Extraordinary General Assembly decides, or the Capital Market Law provides, otherwise.

12.12.14 Decrease of Capital

The Extraordinary General Assembly may resolve to reduce the Company's capital, if it proves to be in excess of the Company's needs, or if the Company sustains losses. In the latter case only, the Company's capital may be reduced below the limit prescribed under Article 54 of the Companies Law. A capital decrease resolution shall be issued, only after reading the auditor's special report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations.

If the capital reduction is due to it being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the area where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

12.12.15 Company's Management

The Company shall be managed by a Board of Directors composed of six (6) members appointed by the Ordinary General Assembly for a term not exceeding three (3) years. As an exception, the Conversion General Assembly may appoint the first board of directors for a period of five (5) years.

12.12.16 Membership Termination

Board membership shall expire by the expiration of its term, or the expiration of Board member's term, in accordance with any law or instructions applicable in the Kingdom. Notwithstanding the foregoing, the Ordinary General Assembly may, at any time, dismiss one or all of the Directors, without prejudice to the terminated member's right to seek compensation from the Company, if dismissal were not properly justified or occurred at an inappropriate time. The Board member may also tender his resignation, provided that such resignation occurs at an appropriate time; otherwise, said member shall be held liable for any damage affecting the Company as a result of his resignation.

12.12.17 Membership Vacancy

If the position of a Board of Director's member becomes vacant, the Board of Directors may appoint a member in the vacant position temporarily, according to the order in obtaining votes in the assembly that elected the board, provided that they are experienced and competent. Such appointment shall be notified to the Ministry within five (5) working days from the date of appointment, and shall be submitted to the Ordinary General Assembly at its first meeting. The new member shall complete the term of his predecessor. In case the number of board members becomes less than the quorum stipulated by the Companies Law or these Bylaws, the Ordinary General Assembly shall be called within sixty days to appoint the required number of members.

12.12.18 Powers of the Board of Directors

Without prejudice to the powers conferred on the General Assembly, the Board of Directors shall be vested with full powers and authority to manage the Company for the purpose of achieving its objectives. Said powers shall include but are not limited to the following:

1. Represent and act on behalf of the Company before private or public third parties – with the exception of judicial bodies and authorities – and follow up with ministries, government agencies and financial institutions; appoint and dismiss representatives, lawyers and arbitrators before all courts inside and outside the Kingdom of Saudi Arabia, including without limitation the Ministry of Labor, labor and worker offices, the Ministry of Interior, Municipal Affairs, the General Directorate of Passports, the General Directorate of Civil Defense, customs committees, police and traffic departments, Civil Defense, the civil rights department at the Ministry of Interior, labor and recruitment offices, chambers of commerce and industry, the Ministry of Commerce, the Ministry of Investment, the Ministry of Health, notaries, the General Organization for Social Insurance, municipalities, Customs, and secretariats in all governorates, the Ministry of Finance, the General Authority of Zakat and Tax, the Zakat and Tax Committees, the Saudi Food and Drug Authority, all the other ministries and governmental authorities, all companies and institutions, the Saudi Industrial Development Fund, commercial banks, financial and investment firms, lenders, and all government financing funds and institutions irrespective of name and competence in the Kingdom of Saudi Arabia and abroad.
2. Approve, conclude and sign all contracts and agreements including, without limitation, lease, purchase, sale and transfer of ownership contracts, tenders and other documents and transactions on behalf of the Company that fall within the Company's ordinary course of business, and authorize any member of the Board, the CEO or third parties to sign in that regard before the notary; and within the Company's ordinary course of business, the Board has the power to sign contracts for the sale and purchase of lands and real estate required to achieve the Company objectives; transfer ownership and sign in that regard before a notary; pay and receive the price, provide exemptions, subdivide and split, receive ownership documents and deeds, subdivide and sort deeds and register them in the notary public's respective system as well as apply for replacements, clarification or correction for lost documents.

3. Manage and oversee the Company's financial affairs, including opening, operating and closing bank and investment accounts inside and outside the Kingdom of Saudi Arabia; invest in securities, buy and sell stocks and bonds in the Saudi Market and the foreign markets and invest in the investment funds; issue orders related to the Company's bank accounts such depositing, withdrawing or other orders required therefor; obtain and utilize all types of loans from commercial banks, government industrial funds and other lenders; sign as guarantor in the name of the Company; issue guarantees and promissory notes; request the signing of credit facilities and the issuance of guarantees and credits on behalf of the Company; sign and cash checks; sign pledges in the name of the Company to guarantee third parties; enter into Islamic Murabaha agreements and investment contracts of all kinds; assign rights and benefits; conclude Treasury agreements and purchase Treasury products; request and sign electronic banking and other transactions agreements; request electronic banking and other services, as well as associated pin codes; carry out all banking operations inside and outside the Kingdom of Saudi Arabia; collect transfers, checks and invoices; receive and deliver payments to any person or entity; sign bank guarantees and request the issuance or cancellation thereof; borrow funds from third parties, including banks, banking institutions, government funds and financing institutions; provide guarantees and pledges; deal with and endorse all types of bonds; deal with, accept and issue all types of guarantees; execute and redeem mortgages.
4. Appoint and dismiss Company representatives and employees, determine the wages and benefits thereof, as well as other terms and conditions of employment; request work, exit and return, and final exit visas for the Company's employees and sponsored parties; transfer and assign the sponsorships thereof, submit absconding notices, modify professions, and appoint department directors.
5. Take all necessary measures to ensure that the Company is managed as efficiently and profitably as possible.
6. Enter into partnerships, establish subsidiaries, invest and participate in companies, sign the articles of association, amendments and appendices thereof; sell and mortgage all or part of the shares, stocks, property rights and interests in any of the subsidiaries; establish and open Company branches inside or outside the Kingdom of Saudi Arabia, appoint the directors thereof, sign the issuance of all the documents required therefor, and sign all shareholder resolutions and amendments related to the conversion of companies in which the Company participates from limited liability to joint stock companies; approve the merger of the Company with another company; sign shareholder resolutions and amendments for the purchase, sale, conveyance and assignment of shares or stocks in other companies; represent the Company in attending, signing, voting and accepting positions and tasks in the ordinary and constituent general assemblies of public or closed shareholding companies in which the Company participates; buy, sell, convey and assign shares therein, sign liquidation decisions, contracts, and instruments for the sale, purchase and conveyance of lands and buildings, as well as all other contracts and agreements.
7. Purchase or acquire shares or stakes in other companies inside or outside the Kingdom of Saudi Arabia; amend and sign decisions relating to amending the articles of association of companies in which the Company participates, as well as any amendments and appendices thereof; sign shareholder decisions to amend items of the articles of association including decisions to amend the legal form of the companies in which the company participates, from limited liability to joint stock and amending their capital and names; attend meetings of the board of directors and shareholder assemblies of the companies in which the Company participates to vote on resolutions, and appoint the managers of said companies.
8. Appoint Company representatives and lawyers, grant them the necessary powers to defend, plead and claim Company rights.

Within the limits of its powers, the Board of Directors may authorize any of its member(s) or third parties to carry out a specific task or tasks, and to partially or wholly revoke said authorization.

12.12.19 Remuneration of Board Members3

The remuneration of the members of the Board of Directors, if any, is determined by the Ordinary General Assembly and such remuneration may correspond to a specific amount or an attendance and travel allowance and may both be combined, 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 report submitted by the Board of Directors to the Ordinary General Assembly shall contain a statement of all payments made to the members of the Board during the fiscal year, in the form of allowances, expenses and other benefits. It shall as well contain a statement of payments made to members in their capacity as employees or executives, or in consideration for technical, administrative or consultancy assignments. The report shall also include the number of meetings held, and the number of meetings attended by each member from the date of the last Ordinary Assembly meeting.

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12.12.20 Powers of the Chairman, Vice Chairman, Managing Directors and Secretary

The Board of Directors shall appoint a Chairman and a Vice Chairman from among its members; it may appoint also a Managing Director. A single member may not concurrently hold the post of Chairman and any other executive position in the Company. The Board of Directors shall determine the powers and authorities of the Managing Director, if appointed.

The Chairman of the Board shall call for and chair Board meetings, as well as have the authority to represent the Company in its relations with others, before the judiciary, government agencies, notaries, courts, dispute resolution committees of all kinds and arbitration boards inside or outside the Kingdom of Saudi Arabia, including but not limited to labor committees, the Office for Resolution of Commercial Paper Disputes, the Banking Dispute Settlement Committee and all Saudi Arabian Monetary Agency committees, Customs, all other government committees or agencies, civil rights, police departments, chambers of commerce and industry, bodies, companies and institutions of all kinds; issue powers of attorney, appoint and dismiss representatives and lawyers; follow up, claim, plead, defend, litigate, hear and respond thereto; present witnesses and evidence and challenge the same; issue notifications; acknowledge, deny, assign, receive payment, settle, accept settlements, waive, reply, impeach, amend, receive, surrender; claim forgery, reject documents, seals and signatures; request, reject and refuse oath taking; request the implementation of Article 230 of the Law of Proceedings before Sharia Courts; request and lift travel bans; request foreclosure and enforcement; request arbitration; appoint experts and arbitrators; accept and challenge the reports of experts and arbitrators, dismiss and replace such experts and arbitrators; request the cassation and enforcement of judgments; accept and reject judgments; object to and appeal judgments; seek reconsideration; request restitution, receive judgment instruments; request pre-emption; request the recusal of judges; request interposition and intervention; take all actions necessary to attend hearings before all government ministries, departments, agencies and institutions, as well as associated departments and divisions irrespective of degree or competence, including but not limited to emirates, civil rights, police, traffic, Civil Defense, secretariats, municipalities, labor offices, Post, General Directorate of Passports, recruitment, the Ministry of Commerce, the Ministry of Investment, and the Zakat, Tax and Customs Authority, the General Organization for Social Insurance, the courts of appeal, notaries and committees of all types, degrees and names, the Board of Grievances and all other departments, institutions, companies and individuals; sign all types of contracts, documents and papers; sign loan agreements with government funds and financing institutions, banks, banking institutions and financial firms; provide subsidiaries with guarantees, pledges and mortgages and redeem the same; claim Company's rights and pay the liabilities thereof; participate in other companies and sign the articles of association and amendments thereto before the notary public; represent the Company in purchases and the approval thereof; pay the price, mortgage, and redeem mortgages; sales and conveyances; collect and pay; amalgamate and subdivide properties and deeds; conclude all contracts and transactions within the Company's objectives; purchase and lease real estate necessary for the Company's activities; sell and liquidate all of the Company's assets, including but not limited to real estate, equipment, funds, and stocks, as well as collect dues thereto from third parties and pay liabilities therefrom; acknowledge debts and release Company debtors from liability in order to advance Company interests, with the approval thereof deemed binding on the Company; conclude settlements, issue, sign and collect the cost of commercial papers; conduct all banking transactions, including opening, closing and operating bank and investment accounts; carry out withdrawals, deposits and transfers, including in joint accounts whether with other companies or individuals; request credit facilities of all kinds, request and conclude loans in any amount for any duration, from commercial banks and government funds; sign guarantees and promissory notes; request the issuance of guarantees and credits on behalf of the Company; buy and sell shares; sign pledges in the name of the Company to guarantee third parties; enter into Islamic Murabaha agreements and investment contracts of all kinds; assign rights and benefits; conclude Treasury agreements and purchase Treasury products; sign and cash checks; request and sign electronic banking and other transactions agreements; request electronic banking and other services as well as associated pin codes; appoint and dismiss lawyers, representatives and arbitrators in relation to the aforementioned; appoint, contract with, and dismiss employees, determine the salaries thereof; request visas, recruit employees and workers from abroad; obtain residence and work permits; transfer and assign sponsorships as per regulations. Within the limits of his powers, the Chairman may delegate or assign others with certain powers, or to undertake a specific task or action, or carry out a specific act or actions, and may revoke said authorization or power of attorney in part or in full.

The Board of Directors may appoint a Managing Director for the Company and specify the powers, competences and duties thereof in the appointment decision.

The Board of Directors shall appoint a Board Secretary from among its members or others; and shall determine the duties, remuneration, and appointment term thereof. The Board Secretary shall be responsible for recording Board meeting minutes, documenting the decisions adopted thereat, record them in a special register that the Secretary shall maintain and update. The Secretary shall also carry out any tasks assigned thereto by the Board.

The term of the Chairman, Vice Chairman, Managing Director and Secretary, if a Board member, shall not exceed the respective term of office thereof on the Board; and they may be re-elected. The Board may, at any time, dismiss any of them without prejudice to the dismissed party's right to compensation if dismissal were unlawful or occurred at an inappropriate time.

The respective remuneration thereof shall be in addition to the remuneration determined for Board members as approved by the Ordinary General Assembly within the limits stipulated under the Companies Law or any other regulations, decisions or instructions complementary thereto.

12.12.21 Meetings of the Board of Directors

The Board of Directors shall meet twice a year at least, upon an invitation from the Chairman, which shall be made in writing and accompanied by the agenda. The Chairman shall call to the meeting whenever two members request so. The invitation shall be delivered by hand or sent by facsimile, e-mail or registered mail, one week at least before the specified date of meeting. All members shall sign the minutes of each meeting.

12.12.22 Meeting Quorum and Resolutions

A Board meeting shall be quorate, only if attended by three (3) members at least attending in person. The Chairman may authorize another member of the Board to attend the board meeting, in accordance with the following controls:

- A member of the Board of Directors may not act on behalf of more than one Board member during the same meeting;
- A proxy shall be made in writing; and
- A Board member acting by proxy may not vote on resolutions on which his principal is prohibited from voting.

Board meetings may be held by telephone or any other electronic method allowing all of the attending members to hear all other attendees.

The Board resolutions shall be made by a majority of the presented or represented Board members at the meeting eligible to vote in relation to a given subject. If votes were equal, the opinion adopted by the Chairman of the Board shall be accepted.

The Board may adopt resolutions by circulation to all Board members, unless one Board member submits a written request that a meeting be convened for deliberations. Such resolutions shall be adopted by an absolute majority of Board members, with the resolutions laid before the Board at its first subsequent meeting.

12.12.23 Board Deliberations

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, attending members and the Secretary. Such minutes shall be entered in a special register to be signed by the Chairman and the Secretary.

12.12.24 Conflict of interests

Board members shall not have any direct or indirect interest in any business and contracts made for the account of the Company except with the consent of the Ordinary General Assembly in accordance with the controls specified therefor by the competent authority. Board members shall inform the Board of any direct or indirect interest in any business and contracts made for the account of the Company; which notification shall be recorded in the meeting minutes, with the relevant members barred from participating in voting on decisions adopted in that regard by the Board of Directors and the shareholders' assemblies. Upon it being convened, the Chairman of the Board of Directors shall notify the ordinary general assembly about the business and contracts in which a Board member has a direct or indirect interest, with said notice accompanied by a special report prepared by the Company's external auditor.

12.12.25 Shareholder Assemblies

12.12.25.1 Assembly Attendance

Subscribers, regardless of the number of shares held, shall have the right to attend the Conversion Assembly, and each shareholder shall have the right to attend General Assembly meetings. They may also authorize a third party, other than Board members or Company employees, to attend the General Assembly on his behalf.

12.12.25.2 Conversion Assembly

The Shareholders shall call subscribers to convene a Conversion Assembly within (45) forty-five days from the date of the Ministry's decision to approve the conversion. The meeting shall be valid if attended by a number of subscribers representing at least half of the capital. If such quorum is not reached, then a second meeting shall be held after at least 15 days from sending the invitation. In all cases, the second meeting shall be valid regardless of the number of subscribers represented thereat.

12.12.26 Responsibilities of the Conversion Assembly

The Conversion General Assembly shall be competent to deal with the matters set out under Article (63) of the Companies Law.

12.12.27 Responsibilities of the Ordinary General Assembly

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all Company matters. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened, whenever needed.

12.12.28 Responsibilities of the Extraordinary General Assembly

The Extraordinary General Assembly shall have the power to amend the Bylaws, except for such provisions as may be impermissible to be amended under the law. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly, under the same rules and conditions applicable thereto.

12.12.29 Convening Assemblies

General or Special Shareholder Assemblies shall be convened by the Board of Directors. The Board of Directors shall convene a General Assembly, if requested to do so by the auditor, the Audit Committee, or a number of shareholders representing at least five percent (5%) of the Company's capital. The auditor may call for an assembly to be convened, when the Board does not call for such a meeting within thirty (30) days of the auditor's request to do so. The summons shall be published in a daily newspaper circulated in the area where the Company's head office is located, at least twenty one (21) days prior to the time set for such meeting. However, notice may be given to all shareholders via registered letters within the timeframe set above. A copy of the notice and the agenda shall be sent to the Ministry, within the period set for publication.

12.12.30 Assembly Record of Attendance

Shareholders who wish to attend Ordinary or Special General Assembly meetings shall register their names at the Company's head office before the time specified for the Assembly.

12.12.31 Quorum for Ordinary General Assemblies

Ordinary General Assembly meetings shall be quorate, only if attended by shareholders representing at least one half of the Company's capital. In the absence of a quorum, a second meeting shall be held one hour after the end of the time set for the first meeting, with the invitation to the first meeting including said stipulation. In the event of absence of such stipulation, the Shareholders will be invited for a second meeting to be held within thirty (30) days after the preceding meeting. Such notice shall be published in the manner prescribed in Article 31 of the Bylaws.

The second meeting shall be deemed valid, irrespective of the number of shares represented thereat.

12.12.32 Quorum for Extraordinary General Assembly Meeting

Extraordinary General Assembly meetings shall be quorate, only if attended by shareholders representing at least one half of the Company's capital. In the absence of a quorum at the first meeting, a second meeting shall be held one hour after the end of the time set for the first meeting, with the invitation to the first meeting including said stipulation. In the event of absence of such stipulation, the Shareholders will be invited for a second meeting to be held under the same conditions set forth in Article 31 of the Bylaws. In any case, the second meeting shall be deemed valid, if attended by a number of shareholders representing at least the quarter of the capital.

If the second meeting is inquorate, then a third meeting shall be called to convene under the same conditions set forth in Article 31 of the Bylaws. With the consent of the competent authority, the third meeting shall be valid irrespective of the number of shares represented thereat.

12.12.33 Voting at the Assemblies

Each subscriber shall have one vote for each share he represents at the Conversion Assembly; and each shareholder shall have one vote for each share he represents at General Assembly meetings. Cumulative voting shall be employed in the election of the Board of Directors.

12.12.34 Assembly Resolutions

Resolutions of the Conversion Assembly shall be adopted by an absolute majority of the shares represented thereat. The Ordinary General Assembly resolutions shall be issued by an absolute majority of the shares represented at the meeting. On the other hand, the Extraordinary General Assembly resolutions shall be issued by a majority of two-thirds of the shares represented at the meeting, unless the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the term specified thereof in these Bylaws or merging the Company with another company; in which case, such resolution shall be valid only if adopted by a majority of three-quarters (3/4) of the shares represented at the meeting.

12.12.35 Deliberations of the Assembly

Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and the auditor. The Board or the auditor shall answer the shareholder's questions, to the extent that is not detrimental to the Company's interests. If the shareholder deems the answer to the question unsatisfactory, then he may refer the issue to the General Assembly and the latter's decision in this regard shall be binding.

12.12.36 Presiding over General Assemblies and the Keeping of Minutes

The General Assembly of shareholders shall be presided over by the Chairman of the Board of Directors or, in his absence, the Vice-Chairman or, in their absence, the Board designated member.

Meeting minutes shall be drafted indicating the number of attending or represented shareholders, the number of shares represented in person or by proxy, the number of votes associated therewith, the resolutions passed, the number of votes in favor and against, as well as a comprehensive summary of the discussions that took place during the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the Secretary, and the Canvasser.

12.12.37 Audit Committee

12.12.37.1 Formation of the Committee

An audit committee shall be formed with a resolution passed by the Ordinary General Assembly and shall consist of three (3) members, other than executive the Directors, whether from the shareholders or others. The resolution shall specify the Committee's responsibilities, the rules governing its activities, and the remuneration of its members. The Board of Directors may nominate the members of the Audit Committee, provided that the nomination is presented to the Ordinary General Assembly for their appointment.

12.12.37.2 Committee Quorum

Committee meetings shall be quorate if attended by the majority of its members. Its resolutions shall be adopted by a majority vote of attending members; ties shall be decided by the vote of the Committee Chairman.

12.12.38 Committee Responsibilities

The Audit Committee shall be responsible for overseeing the Company's business, and, towards that end, shall have access to Company records and documents. It shall also be entitled to request that Board members or executive directors provide it with clarifications or statements, as well as be entitled to request that the Board of Directors calls for the convening of the Company's General Assembly, if the Board hinders the performance of the Committee's duties, or when the Company suffers material damages or losses.

12.12.39 Committee Reports

The Audit Committee shall be responsible for reviewing the Company's financial statements, as well as the reports and notes submitted by the auditor, and provide an opinion in their regard, if any. It shall also draft an opinion concerning the adequacy of the Company's internal oversight control systems, and submit reports relating to other duties that fall within its purview. The Board of Directors shall ensure that a sufficient number of copies of said report be made available at the Company's head office at least twenty one (21) days prior to the General Assembly meeting date, in order to provide desirous shareholders with a copy thereof. Said report shall be read during the Assembly meeting.

12.12.40 Auditor

12.12.40.1 Appointment of the Auditor

The Company shall have one or more auditors to be selected from among those licensed to work in the Kingdom of Saudi Arabia. Such auditor shall be appointed annually and his compensation and term of office shall be fixed by the General Assembly. The General Assembly may, at any time, replace said auditor without prejudice to the latter's right for compensation, if the replacement decision were unlawful or occurred at an inappropriate time.

12.12.41 Responsibilities of the Auditor

The auditor shall, at all times, have access to the Company's books, records and any other documents. It may also request information and clarification, as it deems necessary, to verify the Company's assets, liabilities and other matters that may pertain to the scope of its activities. The Chairman of the Board of Directors shall enable the auditor to perform its duties; and when the auditor encounters difficulties in that regard, the latter shall document the same in a report to be submitted to the Board of Directors. Failure of the Board to facilitate the work of the auditor shall result in the latter requesting that the Board calls for a meeting of the Ordinary General Assembly to examine the matter.

12.12.42 Company Accounts and Distribution of Profits

12.12.42.1 Fiscal Year

The Company's Fiscal Year shall commence as on the 1st of January and expire on the 31st of December of each Gregorian year.

12.12.43 Financial Documents

- At the end of each Fiscal Year, the Board of Directors shall prepare the Company's financial statements together with a report on its business and financial position for the ended Fiscal Year. This report shall include the proposed method for distributing profits. The Board of Directors shall place such documents at the disposal of the auditor at least forty-five (45) days prior to the date set for convening the General Assembly.
- The Chairman of the Board, CEO and CFO shall sign the documents referred to in Paragraph (1) of this Article. A copy thereof shall be placed at the Company's head office at the disposal of Shareholders at least twenty one (21) days prior to the date set for the General Assembly meeting.
- The Chairman shall provide Shareholders with the Company's financial statements, Board of Directors' report and auditor's report unless they are published in a daily newspaper distributed at the Company's head office. The Chairman shall also send a copy thereof to the Ministry at least fifteen (15) days prior to the date set for the General Assembly meeting.

12.12.44 Distribution of Profits

The Company's annual net profits shall be allocated as follows:

- Ten percent (10%) of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals thirty percent (30%) of the Company's capital.
- The Ordinary General Assembly may, upon recommendation of the Board of Directors, set aside a percentage of the net profits to form a contractual reserve to be allocated to (a) specific purpose(s).

- The Ordinary General Assembly may decide to form other reserves to the extent that achieves the interests of the Company or guarantees steady distribution of profits to shareholders. Said Assembly may also deduct certain amounts from the net profits to set up social institutions for the Company's employees or to support any existing institutions.
- The remaining shall be distributed by the Ordinary General Assembly to the shareholders of the Company.

12.12.45 The Company may distribute interim dividends to its shareholders semi-annually or quarterly, after fulfilling the controls and requirements issued by the Capital Market Authority.

12.12.46 Entitlement to Profits

Shareholders shall be eligible to receive dividends pursuant to a General Assembly resolution adopted in that regard and indicating the entitlement and distribution dates. Shareholders eligible to receive dividends shall be those whose names appear on Shareholder Registers at the end of the entitlement date.

12.12.47 Company Losses

- If, at any time during the fiscal year, the Company's losses total half of its paid-up capital, then any Company official or auditor, upon becoming aware thereof, must inform the Chairman of the Board of Directors, who shall immediately inform the members of the Board, which, within fifteen (15) days of being informed thereof, shall call for an Extraordinary General Assembly meeting to be convened within forty five (45) days of being informed of the losses, to consider whether to increase or decrease the Company's capital, in accordance with the provisions of the Companies Law, in order to render losses equal to less than half of the paid-up capital, or dissolve the Company prior to the end of its term, as defined in the Companies Law.
- The Company shall be deemed dissolved under the Companies Law, when its General Assembly does not convene within the period specified in Paragraph 1 of this Article; or if it does convene, but fails to reach a decision in that regard; or when it resolves to increase the capital as per the conditions set forth in this article, but the capital increase is not subscribed to in full within ninety (90) days of the Assembly's resolution to increase the capital.

12.12.48 Disputes

12.12.48.1 Liability Action

Each shareholder shall have the right to file a liability action, vested in the Company, against members of the Board who have committed a mistake that caused said shareholder to suffer damages. Such liability action may only be filed by the shareholder if the Company's right to file such action remains valid. The shareholder shall notify the Company of his intention to file such action.

12.12.49 Dissolution and Liquidation of the Company

12.12.49.1 Expiry of the Company

Upon its expiry, the Company shall enter liquidation and retain its legal personality to the extent necessary for liquidation. The Extraordinary General Assembly shall adopt a resolution to voluntarily liquidate the Company, with said resolution appointing a liquidator, and defining the latter's powers, fees, and restrictions imposed on said powers, as well as the timeframe to conclude liquidation, which, in cases of voluntary liquidation must not exceed five (5) years and cannot be extended except by court order. The powers of the Board of Directors shall cease upon the Company's dissolution. However, the Board of Directors shall remain responsible for the management of the Company and take on the capacity of liquidator, until the latter is appointed. During liquidation, shareholder assemblies shall retain such responsibilities vested in them that do not conflict with those of the liquidator.

12.12.50 Final Provisions

12.12.50.1 Companies Law

The Companies Law shall apply to all matters not provided for in these Bylaws

12.12.50.2 Publication

These Bylaws shall be filed and published in accordance with the provisions of the Companies Law.

12.13 Description of Shares

12.13.1 Capital of the Company

The capital of the Company shall be six hundred million (600,000,000) Saudi Riyals, divided into sixty million (60,000,000) shares of equal value which shall be fully paid, and the nominal value of each share shall be ten (10) Saudi Riyals. All shares shall be deemed as ordinary shares.

12.13.2 Shares

Company shares shall be nominal shares, and may not be issued at less than their nominal value, but may be issued at a value higher than said nominal value; in which case, the difference in value shall be added as a separate article relating to shareholder rights and may not be distributed as a shareholder dividend. A share shall be indivisible vis- -vis the Company. In the event that a share is owned by several persons, they shall select one person amongst them to exercise, on their behalf, the rights pertaining to said share, and they shall be jointly responsible for the obligations arising from ownership of said share.

12.13.3 Share Trading

Share trading shall be subject to the applicable regulations and rules relating to companies listed on Tadawul.

12.13.4 Share Repurchase

The Company may in accordance with Article (112) of the Companies Law, purchase its shares in accordance with controls set by the competent authority. The shares purchased by the Company shall no entitle it to votes in the shareholders assemblies.

12.13.5 Rights of the Holders of Ordinary Shares

Pursuant to Article (110) of the Companies Law, shares confer on the shareholder all the rights attached to the shares, which include in particular the right to receive a share in the profits declared for distribution; the right to a share in the Company's assets upon liquidation; the right to attend general assemblies and participate in the deliberations; voting on the resolutions proposed at such meetings; the right to dispose of shares; the right to have an access to the Company's records and documents; the right to supervise acts of the Board of Directors; the right to institute proceedings against Board members; and the right to contest the validity of the resolutions adopted at General Assemblies, in accordance with the conditions and restrictions specified in the Companies Law or in the Company's Bylaws.

Each Shareholder shall have the right to discuss the subjects listed in the General Assembly's agenda and to direct questions in respect thereof to the Board of Directors and the Auditor. The Board or Auditor shall answer the Shareholders' questions in a manner that does not prejudice the Company's interest. If a Shareholder deems the answer to the question unsatisfactory, then he may refer the issue to the General Assembly and its decision in this regard shall be conclusive and binding.

12.13.6 General Assemblies

The duly convened Shareholders' General Assemblies shall represent all the Shareholders, and shall be held in the city where the Company's head office is located.

Except for matters falling within the jurisdiction of an Extraordinary General Assembly, an Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least once a year during the first six (6) months following the end of the Company's fiscal year. Other Ordinary General Assembly meetings may be called where necessary.

An Extraordinary General Assembly of Shareholders shall be competent to amend the provisions of the Company's Bylaws, within the scope permitted by law. Furthermore, an Extraordinary General Assembly shall be empowered to adopt resolutions in matters within the jurisdiction of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

The invitation to the Ordinary General Assembly should be published in a daily newspaper distributed in the Company's headquarters at least twenty-one (21) days prior to the meeting date. A copy of the invitation and agenda shall be sent to the competent authorities within the period specified for publication. A meeting of the Ordinary General Assembly shall not be valid unless attended by Shareholders representing at least (50%) of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be called to be held one hour after the end of the period specified for the first meeting. The invitation to the first meeting shall stipulate the possibility of holding such meeting or a second one within thirty days (30) after the first meeting. The notice shall be sent in the manner prescribed for the first meeting. The second meeting shall be deemed valid irrespective of the number of Shares represented therein. The meeting of Extraordinary General Assembly shall be valid only if attended by a number of Shareholders representing at least half of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting of the Extraordinary General Assembly shall be called to be held one hour after the end of the period specified for the first meeting, and the invitation shall maintain the possibility of holding such meeting or another one within the following thirty (30) days. The second meeting shall be valid if it is attended by Shareholders representing at least (25%) of the Company's share capital. If this quorum is not attained at the second meeting, notice shall be sent for a third meeting to be held. The third meeting shall be valid regardless of the number of Shares represented therein and is contingent upon the competent authority's approval. General Assembly meetings shall be chaired by the Chairman of the Board of Directors or, in his absence, by the Vice Chairman of the Board of Directors. Minutes shall be written for the meeting which shall include the number of attending or represented Shareholders, the number of Shares held by each, the number of votes attached to such Shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions, and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the Secretary and the canvasser.

12.13.7 Voting Rights

Each Subscriber, regardless of the number of his Shares, shall have one vote per share represented thereby in the Conversion Assembly and the General Assemblies of the Shareholders. A Shareholder may appoint another person who is not a member of the Board of Directors or a company employee to attend the General Assembly on his behalf. Each Subscriber shall have one vote per Share represented thereby at the Conversion Assembly, and each Shareholder shall have a vote for each Share at the General Assemblies. Cumulative voting shall be used in the elections of the Board of Directors. Votes at the meetings of the General Assembly shall be counted on the basis of one vote per Share represented at the meeting. Resolutions of the General Assembly shall be passed if supported by a majority of the Shares represented at the meeting.

12.13.8 Term of the Company

The term of the Company shall be ninety-nine (99) Gregorian years commencing from the registration of the Company with the commercial registry. The term of the Company may always be extended by a resolution issued by the Extraordinary General Assembly at least one year prior to the expiration of its term.

12.13.9 Dissolution and Liquidation of the Company

Upon the expiry of the Company's term, or if it is dissolved prior to the term set for the expiry thereof, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of the liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for managing the Company until the liquidator is appointed. The Company's administrative departments shall maintain their powers to the extent that they do not conflict with the powers of the liquidators.

12.13.10 Change of Shareholders' Rights

The rights of the Shareholders to receive a share in the Company's profits declared for distribution, receive a share in the Company's asset surplus upon liquidation, attend General Assembly meetings, participate in the deliberations and vote on its resolutions, dispose of the Shares, access the Company's books and documents, supervise the acts of the Board of Directors, bring a liability claim against the Board members and contest the validity of the resolutions adopted at General Assembly meetings (in accordance with the conditions and restrictions set out in the Companies Law and the Bylaws) shall be granted pursuant to the Companies Law. Accordingly, they may not be changed.


Original
الطعم الأصلي
DOUX
10 Chicken Franks
نقانق دجاج
Cooked and frozen
HALAL
حلال
400g

13. Underwriting

13.1 Underwriter

The Company, the Selling Shareholders and the Underwriter (being HSBC Saudi Arabia) have entered into an Underwriting Agreement dated [•]H, corresponding to [•]G (the "Underwriting Agreement") pursuant to which the Underwriter has agreed, subject to certain conditions contained in the Underwriting Agreement, to fully underwrite the Offering of [•] Offer Shares. The name and address of the Underwriter are set out below:

Underwriters
HSBC Saudi Arabia HSBC Building 7267 Olaya Street, Al-Murooj Riyadh 2255 - 12283 Saudi Arabia Website: www.hsbcsaudi.com Email: AlmunajemIPO@hsbcsa.com

The agreed principal terms of the Underwriting Agreement are set out below:

13.2 Summary of the Underwriting Agreement

- The Selling Shareholders undertake to the Underwriter that, on the first Business Day after the allocation of the Offer Shares following the end of the Offering Period, they shall:
  - Sell and allocate the Offer Shares to Participating Parties or Individual Investors whose applications for Offer Shares have been accepted by the Receiving Agents.
  - Sell and allocate to the Underwriter the Offer Shares that are not purchased by Participating Parties or Individual Investors pursuant to the Offering.
- The Underwriter undertakes to the Company and the Selling Shareholders that it will purchase any Offer Shares that are not subscribed for by Participating Parties or Individual Investors, as stated below:

Table (13-1): Underwritten Shares

Underwriter	No. of Offer Shares Underwritten	Percentage of Offer Shares Underwritten
HSBC Saudi Arabia	18,000,000	100%

The Company and the Selling Shareholders undertake to observe all the terms and conditions of the Underwriting Agreement.

14. Underwriting Costs

The Selling Shareholders will pay to the Underwriter, on a pro-rata basis to the number of Offer Shares sold, an underwriting fee based on the total value of the Offering and pay the Underwriter's costs and expenses in connection with the Offering on behalf of the Company, as per the relevant contract.

15. Expenses

The Selling Shareholders shall bear all costs associated with the Offer, which are estimated at approximately SAR[•]. This figure includes the fees of each of the Financial Advisor, Lead Manager, Bookrunner, Underwriter, Legal Advisor, Auditors, Receiving Agents, Market and Strategy Consultant, in addition to marketing, printing and distribution expenses and other related expenses. The expenses will be deducted from the proceeds of the Offering, with the Company not bearing any costs associated with the Offering.

16. Company's Post-Listing Undertakings

Post-Offering, the Company undertakes to:

- Fill out form 8 (regarding the observance of Corporate Governance Regulations). The Company shall provide the relevant justifications if it fails to meet any of the requirements set out in the Corporate Governance Regulations.
- Inform the Capital Market Authority at the date of the first post-listing General Assembly meeting, so that representatives thereof may attend said meeting.
- Immediately after Listing, comply with all mandatory provisions set out in the Corporate Governance Regulations.
- Comply with the provisions of the Listing Rules regarding the Company's ongoing obligations immediately after listing.
- Call to convene a General Assembly to update the Company's Bylaws immediately after the listing.
- Submit to the General Assembly for approval, all works and contracts in which any Director has a direct or indirect interest (in accordance with the Companies Law and the Corporate Governance Regulations); provided that the Director with such interest shall be prohibited from participating in voting on decisions issued in this regard by the Board of Directors and General Assembly. For further information, please see Section 12.7 ("**Related Party Transactions**").

Accordingly, once listing is approved, Directors undertake to:

- Record all resolutions and deliberations in written meeting minutes signed by the Board Chairman and Secretary.
- Disclose the details pertaining to any Related Party transactions in accordance with the Companies Law and Corporate Governance Regulations.

17. Waivers

The Company has not obtained any waivers.


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18. Subscription Terms and Conditions

The Company has made an application to the CMA for the registration and offer of the Offer Shares and an application for listing of the Shares on the Exchange in accordance with the OSCOs.

All Subscribers must carefully read the Subscription Terms and Conditions before completing their Subscription Application Form. Execution and submission of a Subscription Application Form to any of the Receiving Agents is deemed as an acceptance and approval of the Subscription Terms and Conditions.

18.1 Subscription to Offer Shares

The Offering will consist of eighteen million (18,000,000) Shares with a fully paid nominal value of ten (10) Saudi Riyals per Share, at an Offer Price of SAR[•] per Share. The Offer Shares represent (30%) of the Company's issued capital with the total value of the Offering amounting to SAR[•]. Note that the Offering to Individual Investors and listing of the Shares thereafter is subject to the successful subscription by Participating Parties for all Offer Shares. The Offering shall be canceled if the Offering is not fully subscribed for during this period. The CMA also has the right to suspend the Offering if, at any time after its approval of this Prospectus and before admission to listing of the Shares on the Exchange, a material adverse change has occurred in respect of the Company's operations.

The Offering is restricted to the following three groups of investors:

Tranche (A): Participating Parties:

This tranche comprises investors eligible to participate in the book-building process in accordance with the Book-Building Instructions. The number of Offer Shares to be initially allocated to Participating Parties is eighteen million (18,000,000) Shares representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors for the Offer Shares, then the Lead Manager has the right to reduce the number of Shares initially allocated to Participating Parties to a minimum of sixteen million two hundred thousand (16,200,000) ordinary Shares, representing ninety (90%) of the total Offer Shares. The number and percentage of Offer Shares to be allocated to Participating Parties shall be determined as deemed fit by the Financial Advisor, in coordination with the Company and the Selling Shareholders.

Tranche (B): Individual Investors:

This tranche includes Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and any GCC national, in each case who has a bank account with a Receiving Agents and having the right to open an investment account with a Capital Market Institution. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of one million eight hundred thousand (1,800,000) ordinary Shares representing (10%) of the Offer Shares shall be allocated to Individual Investors. In the event that Individual Investors do not subscribe in full for the Offer Shares allocated thereto, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for by them.

18.2 Book-building and Subscription by Participating Parties

a. The number and percentage of Offer Shares to be allocated to Participating Parties shall be determined as deemed fit by the Financial Advisor, in coordination with the Company and the Selling Shareholders.

b. Participating Parties must submit requests to participate in the book-building process by filling out Bid/Subscription Orders. Participating Parties may amend or cancel their bids at any time during the Book-Building Period, provided that said bids are amended by submitting a modified bid form or an appendix Bid Form (where applicable) before the Offer price determination process that will take place before the Offering Period begins. The number of Offer Shares for each of the Participating Parties shall not be less than one hundred thousand (100,000) shares, and no more than two million nine hundred ninety nine thousand nine hundred ninety nine (2,999,999) shares, and in relation to public funds only, not exceeding the maximum limit for each participating public fund that is determined in accordance with the Book-Building Instructions, and the number of requested shares must be allocatable. The Lead Manager shall notify the Participating Parties regarding the Offer Price and the number of Offer Shares initially allocated thereto. Subscription by Participating Parties must begin during the Offering Period, which also includes Individual Investors, in accordance with the Subscription Terms and Conditions as detailed in the Subscription Applications Forms.

c. Once the bookbuilding process for Participating Parties is completed, the Bookrunner shall announce the subscription percentage by Participating Parties.

d. The Bookrunner and the Company shall have the authority to determine the Offer Price as dictated by supply and demand, provided that it does not exceed the price specified in the Underwriting Agreement, and that the subscription price be aligned with the price change units applied by Tadawul.

18.3 Subscription by Individual Investors

Each Individual Investor must submit a Retail Subscription Form and must subscribe in multiples of 10 (with a minimum subscription of 10 Offer Shares and a maximum subscription of (300,000) Offer Shares for Individual Investors). Changes to or withdrawal of the Retail Subscription Form shall not be permitted once submitted.

Retail Subscription Forms will be made available during the Retail Offering Period by Receiving Agents. Retail Subscription Forms shall be completed in accordance with the instructions mentioned below. Investors who have recently participated in recent initial public offerings can also subscribe through the internet, telephone banking or ATMs of any of the Receiving Agents that offer any or all such services to its customers, provided that the following requirements are satisfied:

a. the Individual Investor must have a bank account at a Receiving Agent which offers such services; and

b. there have been no changes to the personal information or data of the Individual Investor since his subscription in the last Offering.

Upon signing and submitting the Retail Subscription Form to any of the Receiving Agents, it shall be deemed a legally binding agreement between the Selling Shareholders and the relevant Individual Investor.

Individual Investors may obtain a copy of this Prospectus and of the Subscription Forms from the following Receiving Agents (the Prospectus shall also be available through the websites of CMA and the Financial Advisor. Following are the Receiving Agents' details):

Receiving Agents	
Saudi British Bank (SABB) Prince Abdulaziz Ibn Musaid Ibn Jalawi Street P.O. Box 9084 Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 11 440 8440 Fax: +966 11 276 3414 Website: www.sabb.com Email: sabb@sabb.com	SABB ساب
Saudi National Bank King Fahd Road - Al-Aqiq District - King Abdullah Financial District P.O. Box: 3208 Unit Number: 778 Riyadh 13519 – 6676 Kingdom of Saudi Arabia Tel: +966 92000 1000 Fax: +966 12 643 7426 Website: www.alahli.com Email: contactus@alahli.com	SNB
Al Rajhi Bank King Fahd Road - Al-Morouj District - Al-Rajhi Bank Tower Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 (11) 828 2515 Fax: +966 (11) 279 8190 Website: www.alrajhibank.com.sa Email: contactcenter1@alrajhibank.com.sa	Al Rajhi Bank مصرف الراجحي

The Receiving Agents will commence receiving Retail Subscription Forms at their branches throughout the Kingdom beginning on Sunday 01/05/1443H (corresponding to 05/12/2021G) until Monday 02/05/1443H (corresponding to 06/12/2021G). Once the Retail Subscription Form is signed and submitted, the relevant Receiving Agent receiving it will stamp it and provide the Individual Investor with a copy of the completed Retail Subscription Form. In the event that the information provided in the Retail Subscription Form is incomplete or inaccurate, or not stamped by the Receiving Agent, the Retail Subscription Form will be considered void. The Individual Investors do not have the right to claim any compensation for the damages incurred due to such cancellation.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in his/her Retail Subscription Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR [•] per Offer Share.

Subscriptions by Individual Investors for less than (10) Offer Shares or fractions of Offer Shares will not be accepted, noting that the maximum subscription is (300,000) Offer Shares for Individual Investor. Increments are to be made in multiples of 10.

Retail Subscription Forms should be submitted during the Offering Period and accompanied (where applicable) with the following documents (the Receiving Agents will verify all copies against the originals and will return the originals to the relevant Individual Investor):

a. the original and copy of the national civil identification card or residency identification card (in case of non-Saudi Individual Investors and foreign residents, as applicable);
b. the original and copy of the national civil identification card (in case of Individual Investors who are GCC nationals);
c. the original and copy of the family civil identification card (when subscribing on behalf of family members);
d. the original and copy of a power of attorney (when subscribing on behalf of others);
e. the original and copy of certificate of guardianship (when subscribing on behalf of orphans);
f. the original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman);
g. the original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman); and
h. the original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

In the event an application is made on behalf of an Individual Investor (parents and children only), the name of the person signing on behalf of the Individual Investor should be stated in the Retail Subscription Form. The power of attorney must be notarized by a notary public for the Individual Investors residing in the Kingdom, and must be legalized through a Saudi embassy or consulate in the relevant country for Individual Investors residing outside the Kingdom. The concerned official of the Receiving Agent shall match the copy with the original version and return the original version to the Individual Investor.

One Retail Subscription Form should be completed for each primary Individual Investor applying for himself and members appearing on his family identification card, if the family members apply for the same number of Offer Shares as the primary Individual Investor. In this case:

a. all Offer Shares allocated to the primary Individual Investor and dependent Individual Investors will be registered in the primary Individual Investor's name;
b. the primary Individual Investor will receive any refund in respect of amounts not allocated and paid for by himself or dependent Individual Investors; and
c. the primary Individual Investor will receive all dividends distributed in respect of the Offer Shares allocated to themselves and dependent Individual Investors (in the event the Shares are not sold or transferred).

Separate Retail Subscription Forms must be used if:

a. the Offer Shares to be allocated are to be registered in a name other than the name of the primary Individual Investor;
b. dependent Individual Investors intend to apply for a different number of Offer Shares than the primary Individual Investor; and

c. the wife subscribes in her name adding allocated Offer Shares to her account (she must complete a separate Retail Subscription Form from the Retail Subscription Form completed by the relevant primary Individual Investor). In such case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Receiving Agent.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe on behalf of those children, provided she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law.

During the Offering Period, only a valid Iqama will be an acceptable form of identification for non–Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as primary Individual Investors. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be legalized through a Saudi embassy or consulate in the relevant country.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in its Retail Subscription Form, multiplied by the Offer Price of SAR[•] per share. Each Individual Investor shall acquire the number of Offer Shares allocated to him/her upon:

a. delivery by the Individual Investor of the Retail Subscription Form to any of the Receiving Agents;

b. payment in full by the Individual Investor to the Receiving Agent of the number of the Offer Shares subscribed for in the Retail Subscription Form; and

c. delivery to the Individual Investor by the Receiving Agent of the allocation letter specifying the number of Offer Shares allocated to him/her.

The total value of the Offer Shares shall be paid in full to the Receiving Agents, by debiting the account of the Individual Investor at the Receiving Agent where the Retail Subscription Form was submitted. If a submitted Retail Subscription Form is not in compliance with the terms and conditions of the Offer, then such an application may be rejected altogether. The Individual Investor shall accept any number of Offer Shares allocated to him/her, unless the allocated shares exceed the number of Offer Shares he has applied for.

18.4 Allocation and Refunds

The Lead Manager shall open and operate escrow accounts, for the purpose of depositing and keeping subscription monies collected from Participating Parties and Receiving Agents (on behalf of Individual Investors). Subscription monies shall be transferred to the Selling Shareholders only after listing, and following the deduction of certain fees and expenses. Details of the escrow account shall be specified in the subscription forms. In addition, Receiving Agents shall deposit all amounts received from the Individual Investors into the escrow accounts, the details of which account shall be specified in the Retail Subscription Form.

The Lead Manager and Receiving Agents, as applicable, shall notify Subscribers informing them of the final number of Offer Shares allocated, together with the amounts to be refunded.

Excess subscription monies, if any, will be refunded to the Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' account as specified in the Subscription Application Form.

The announcement of the final allocation will be made at the latest by Saturday 7 Jumada Al Awal 1443H (corresponding to 11 December 2021G) and refund of subscription monies, if any, will be made at the latest by Monday 9 Jumada Al Awal 1443H (corresponding to 13 December 2021G) (for further details, see page xiv ("**Key Dates and Subscription Procedures**")). Subscribers should communicate with the Lead Manager or the Receiving Agents where they submitted their Subscription Form, as applicable, for any further information.

18.4.1 Allocation of Offer Shares to Participating Parties

The Financial Advisor, in coordination with the Company, shall determine the allocation of Offer Shares for the Participating Parties, after the allocation of Offer Shares to Individual Investors is completed, provided that the initial number of Offer Shares initially allocated to Participating Parties shall not be less than (18,000,000) Offer Shares representing 100% of the Offer Shares, and provided that the final allocation for Participating Parties shall not be less than (16,200,000) Offer Shares representing 90% of the Offer Shares.

18.4.2 Allocation of Offer Shares to Individual Investors

The Financial Advisors, in coordination with the Company, shall determine the allocation of Offer Shares to be allocated to Individual Investors. There will be an allocation of a maximum of (1,800,000) Ordinary Shares, representing 10% of the Offer Shares, to Individual Investors. The minimum allocation per Individual Investor is ten (10) Offer Shares. The balance of the Offer Shares (if any) will be allocated on a pro-rata basis of each Individual Investor's application in proportion to the total number of requested Shares. In the event that the number of Individual Investors exceeds (180,000) Individual Investors, the Company will not guarantee the minimum allocation of Offer Shares, and the allocation will be made as determined by the Company and Financial Advisor. The surplus, if any, would be refunded to Individual Investors without any commissions or deductions by the Receiving Agents.

18.5 Circumstances where Listing may be Suspended or Cancelled

18.5.1 Power to Suspend or Cancel Listing

a. The CMA may suspend stock trading or cancel the listing at any time as it deems fit, in any of the following circumstances:

1. The CMA considers it necessary for the protection of investors or the maintenance of an orderly market.
2. The Company fails, in a manner which the CMA considers material, to comply with the Capital Market Law, its implementing regulations or market rules.
3. The Company does not pay any fees due to the CMA or the Exchange, or penalties due to the CMA on time.
4. If it considers that the Company or its business, the level of its operations or its assets is no longer suitable to warrant the continued listing of shares in the Exchange.
5. When the reverse takeover announcement does not contain sufficient information about the proposed transaction. In the event that the source has given sufficient information regarding the target entity and the CMA is satisfied, following the announcement of the Company, that sufficient public information is available on the proposed transaction or the reverse takeover, the CMA may decide not to suspend trading at this stage.
6. When information about the proposed transaction of reverse takeover is leaked and the Company cannot accurately assess its financial position and the Exchange cannot be informed accordingly.
7. Upon filing a request for commencing financial reorganization procedures before the court under the Bankruptcy Law, for an Issuer whose accumulated losses amounted to 50% or more of the capital thereof.
8. Upon filing a request for commencing Issuer liquidation procedures or administrative liquidation procedure before the court under the Bankruptcy Law.
9. Upon issuance of a final court ruling to end Issuer financial reorganization procedures and initiation of liquidation procedures or the administrative liquidation procedures under the Bankruptcy Law.
10. Upon issuance of a final court ruling to commence Issuer liquidation procedures or administrative liquidation procedures under the Bankruptcy Law.

b. The Exchange shall suspend the trading of the securities of the Company in any of the following cases:

1. When the Company does not comply with the deadlines for the disclosure of its periodic financial information in accordance with the requirements of OSCOs until its disclosure.
2. When the auditor's report on the financial statements of the Company contains an opposing opinion or an abstention from expressing opinion, until such opinion or abstention is removed.
3. If the liquidity requirements of Chapters 2 and 8 of the Listing Rules are not met after the time limit set by the Exchange for the Company to rectify its conditions, unless the CMA agrees otherwise.
4. The issuance of a decision by an Extraordinary General Assembly of the Company to reduce its capital for the two trading days following the issuance of the decision.

18.5.2 Voluntary Cancellation of Listing

a. The Company, after it is listed on the Exchange, may not cancel the listing of its securities without the prior approval of the CMA. To obtain the CMA approval, the Company must provide the cancellation application to the CMA along with a simultaneous notice to Exchange. The application has to include the following:

1. Specific reasons for the cancellation request;
2. A copy of the disclosure referred to in Paragraph (d) below.
3. A copy of the relevant documentation and a copy of each related communication to shareholders, if the cancellation is to take place as a result of an acquisition or other corporate action by the Company; and
4. Names and contact information of the Financial Advisor and legal advisor appointed according to the relevant implementing regulations.

b. The CMA may, at its discretion, approve or reject the cancellation request

c. Once approval from the CMA has been obtained for the cancellation of listing, the Company must obtain the consent of its Extraordinary General Assembly.

d. Where cancellation is made at the Company's request, the Company must disclose that to the public as soon as possible. The disclosure has to include the reason for the cancellation, the nature of the event resulting in the cancellation, and how it affects the issuer's activities.

18.5.3 Temporary Trading Suspension

a. The Company may request the Exchange to implement a temporary trading suspension upon the occurrence of an event that occurs during trading hours which requires immediate disclosure under the Capital Market Law, its implementing regulations or the Exchange rules, where the Company cannot maintain the confidentiality of this information until the end of the trading period. In such a case, the Exchange suspends trading of the securities of the Company as soon as it receives the request.

b. Where a temporary trading suspension is made at the Company's request, the Company must announce as soon as possible the reason for the trading suspension, the anticipated period of the trading suspension, the event leading thereto and the extent it affects the Company's activities.

c. The CMA may impose a temporary trading suspension without a request from the Company, where the CMA becomes aware of information or circumstances affecting the Company's activities which the CMA considers would be likely to interrupt the operation of the Exchange or the protection of investors. The Company, once its securities are subject to temporary trading suspension, must continue to comply with the Capital Market Law, its implementing regulations and Exchange rules.

d. The Exchange may recommend to the CMA to practice its powers in accordance with the above Paragraph (c), if it discovers any information or circumstances that might affect the Company's activities which might affect the market's activities or investors' protection.

e. A temporary trading suspension will be lifted following the elapse of the disclosure period referred to in the above Paragraph (b), unless the CMA or the Saudi Exchange decide otherwise.

18.5.4 Lifting of Suspension

Lifting of trading suspension, as per Paragraph (A) of Section 18.5.1 ("**Power to Suspend or Cancel Listing**") of this Prospectus, is subject to the following:

1. Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors;
2. Lifting the suspension is unlikely to affect the normal activity of the Exchange.
3. The Company complies with any other conditions that the CMA may require.
4. In the event that the suspension is due to the fact the Company's accumulated losses equal 50% or more of its capital as per the Bankruptcy Law, then the suspension shall be lifted upon the issuance of the final court ruling on the commencement of a financial restructuring procedure for the issuer in accordance with the law issued by the competent authority and governing the issuer's activities.

5. In the event that the suspension was due to an issuer liquidation procedure or administrative liquidation procedure before the court under the Bankruptcy Law, the suspension shall be lifted upon the issuance of the final court ruling rejecting the commencement of liquidation procedures or administrative liquidation procedures under the Bankruptcy Law, unless suspended from the practice of its activities by the relevant competent authority.

In the event that the listing suspension continues for six (6) months with no appropriate procedure made by the Company to correct such suspension, the CMA may cancel the listing of Company.

18.5.5 Re-registering and Listing of Cancelled Securities

If the Company wishes to re-list its shares after the cancellation thereof, it must submit a new application to list its shares in accordance with the Listing Rules, and fulfil the relevant requirements stipulated in the OSCOs.

18.6 Approvals and Decisions under which the Offer Shares are Offered and Listed

The following are the decisions and approvals under which the Offer Shares are publicly offered and listed:

1. the Company's Board of Directors resolution approving the Offering dated 08/09/1442H (corresponding to 20/04/2021G);
2. the CMA's announcement on the approval of the application for listing and offering securities dated 21/02/1443H (corresponding to 28/09/2021G); and
3. the Exchange's conditional listing approval.

18.7 Lock-up Period

The Substantial Shareholder referred to on page x of this Prospectus may not dispose of any of its Shares, in each case for a period of six (6) months from the date on which trading of the Shares commences on the Exchange. Following the Lock-up Period, the Substantial Shareholder is not restricted from disposing of its Shares without prior CMA approval.

18.8 Acknowledgments by Subscribers

By completing and delivering the Retail Subscription Application, each Subscriber:

1. agrees to subscribe to the number of Offer Shares specified in the Retail Subscription Application;
2. warrants that he has read and carefully examined this Prospectus and understood all its content;
3. accepts the Company's Bylaws and all Offering instructions and terms mentioned in this Prospectus, the Retail Subscription Application, and Electronic Subscription Application, and subscribes in the Offer Shares accordingly;
4. declares that neither himself/herself nor any of his/her family members included in the Subscription Application Form have previously subscribed to the Company's shares and accepts that the Company has the right to reject any or all duplicate applications;
5. accepts the number of Offer Shares allocated to him (to the maximum of the amount subscribed for) as per the Retail Subscription Application; and
6. warrants not to cancel or amend the Retail Subscription Application, after submitting it to the Lead Manager or the Receiving Agent. For further details about the allocation process and surplus refund, please refer to Section 18.4 ("Allocation and Refund").

18.9 Shares' Record and Trading Arrangements

The Saudi Exchange shall keep a shareholders' record containing their names, nationalities, addresses, professions, the Shares held by them and the amounts paid for these Shares.

18.10 Saudi Stock Exchange

In 1990G, full electronic trading in the Kingdom equities was introduced. The Saudi Exchange (formerly "Tadawul") was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each Business Day of the week between 10:00 a.m. and 3:00 p.m. from Sunday to Thursday, during which orders are executed. However, during other than those times, orders can be entered, amended or cancelled from 9:30 a.m. to 10:00 a.m. The said times are subject to change during the month of Ramadan or in other months, and they are announced by the Saudi Exchange Management. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry. The Saudi Exchange distributes a comprehensive range of information through various channels, including in particular the Saudi Exchange website (www.saudiexchange.sa) and the Saudi Exchange Information Link, which supplies trading data in real time to the information providers such as Reuters. Exchange transactions are settled on a T+2 basis, meaning that shares ownership transfer takes two working days after the trade transaction is executed.

Companies are required to disclose all material decisions and information that are important for the investors via the Saudi Exchange. Surveillance and monitoring is the responsibility of the Saudi Exchange as the operator of the market to ensure fair trading and an orderly market.

Securities Depository Center (Edaa)

Securities Depository Center Company (Edaa) was established in 2016G, in accordance with the Saudi Companies Law issued by Royal Decree No. M/3 dated 28/01/1437H. It is a closed joint stock company fully owned by the Exchange, with a capital of (SAR 400,000,000) divided into (40,000,000) shares, with a nominal value of SAR 10 per share. The establishment was based on CMA approval of Tadawul's Board of Directors request in relation to conversion of the Securities Depository Center into a joint stock company in accordance with the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H.

The activities of Edaa are to conduct businesses related to depositing, registering, transferring, settling and clearing securities, and recording any ownership restrictions on the deposited securities. Further, it deposits and manages the records of the issuers of securities, and organizes issuers' general assemblies, including the remote voting services (e-Voting), reporting, notifications, and information, as well as providing other related services that Edaa may provide in accordance with CML and its implementing regulations.

18.11 Trading in the Shares

It is expected that trading in the Shares will commence after the final allocation of shares and the Saudi Exchange announcement of the start date of trading of the Shares. Saudi nationals, KSA residents holding valid residency permits, GCC nationals, as well as Saudi and GCC companies, banks, and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Moreover, QFIs will be permitted to trade in the Shares in accordance with Rules for Qualified Foreign Financial Institutions Investment in Listed Securities. Foreign Investors will also have the right to invest indirectly to acquire economic benefits in the Shares, by entering into swap agreements with a Capital Market Institution licensed by the CMA, and to acquire, hold and trade in the Shares on the Exchange on behalf of a Foreign Investor. The Capital Market Institution shall be deemed the legal owners of the shares under the swap agreements.

Furthermore, Shares can only be traded after allocated Offer Shares have been credited to Participating Parties' accounts at the Saudi Exchange, the Company has been registered and its Shares listed on the Exchange. Pre-trading in Shares is strictly prohibited and Participating Parties entering into any pre-trading activities will be acting at their own risk. The Company and the Current Shareholders shall have no legal responsibility in connection with pre-trading activities.

18.12 Miscellaneous

The Subscription Application Form and all related terms, conditions, provisions, covenants and undertakings shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned and delegated by any of the parties to the subscription, without the prior written consent of the other party.

These instructions, the conditions and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for foreign Participating Parties, taking into account the relevant rules and instructions. The Company, Selling Shareholders, Financial Advisor, Lead Manager and Underwriter require all recipients of this Prospectus to inform themselves of any regulatory restrictions on the Offer Shares and the sale of Offer Shares and to observe all such restrictions.


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19. Documents Available for Inspection

The following documents will be available for inspection at the Company's main office between 9:00 a.m. and 3:00 p.m. from 04/04/1443H (corresponding to 09/11/2021G) until 02/05/1443H (corresponding to 06/12/2021G) for a period of no less than 20 days prior to the end of the Offering Period:

- Copy of the CMA's announcement of the approval of the Offering.
- The Board of Directors resolution dated 08/09/1442H (corresponding to 20/04/2021G) approving the Offering.
- Company's Bylaws, amendments thereto, and other association documents.
- Company's commercial registration certificate issued by MOC.
- Company's financial statements for financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period ended 31 March 2021G, and notes thereto, which were prepared in accordance with IFRS-KSA and other standards and pronouncements that are endorsed by SOCPA.
- Market study prepared by the Market & Strategy Consultant.
- Letters of consent from each of:
  - The Financial Advisor, Lead Manager, Bookrunner and Underwriter (being HSBC Saudi Arabia) for the inclusion of their respective name, logo and declarations, if any, in this Prospectus.
  - Ernst & Young & Co. (Certified Public Accountants), for the inclusion in this Prospectus, of its name, logo, declarations, and financial statements as auditor of the Company for the audited financial statements for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period ended 31 March 2021G, which were prepared in accordance with IFRS-KSA and other standards and pronouncements that are endorsed by SOCPA.
  - The Financial Due Diligence Advisor (PwC) for the inclusion of its name, logo and declarations, if any, in this Prospectus.
  - The Market & Strategy Consultant (Arthur D. Little Saudi Arabia) for the inclusion of its name, logo and declarations in this Prospectus.
  - The Legal Advisor (Abdul Aziz AlAjlan & Co., Attorneys and Legal Advisors), for the inclusion of its name, logo and declarations in this Prospectus.
  - The legal advisor of the Financial Advisor, Lead Manager, Bookrunner and Underwriter (Khoshaim & Associates), for the inclusion of its name, logo and declarations, if any, in this Prospectus.
- Contracts and agreements disclosed in Section 12.7 ("**Related Party Transactions**") hereof.
- Underwriting Agreement.
- All reports, letters, and other documents, valuations and data prepared by any expert wholly or partly included or referred to herein.
- Document clarifying the mechanism relied upon to determine the price range used in the bookbuilding process.

20. Consolidated Financial Statements and Auditors' Reports

This section contains the financial statements for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period ended 31 March 2021G, and notes thereto, which were prepared in accordance with IFRS-KSA and other standards and pronouncements that are endorsed by SOCPA.


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ALMUNAJEM COLD STORES COMPANY
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

ALMUNAJEM COLD STORES COMPANY
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2018

EY
Building a better working world

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower, 14th Floor
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Riyadh 11461
Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE PARTNERS OF ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

Opinion

We have audited the financial statements of Almunajem Cold Stores Company - (A Limited Liability Company) (the "Company"), which comprise the statement of financial position as at 31 December 2018, 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 2018, 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 Certified Public 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 that are 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.

Emphasis of Matter

We draw attention to note (2) to the financial statements, which sets out that the accompanying financial statements have been prepared by the Company for inclusion in a prospectus for the purposes of an Initial Public Offering (IPO). The Company has issued their statutory financial statements for the year ended 31 December 2018 which were prepared in accordance with International Financial Reporting Standards for Small and medium-sized enterprises (SMEs) ("IFRS for SMEs"), and we issued our Audit report thereon on 25 April 2019. Our opinion is not modified in respect of this matter.

Responsibilities of Management 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 Certified Public Accountants and the provisions of Companies' Law and Company's Articles of Association, 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.

The management is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE PARTNERS OF ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company) - continued

Auditor's Responsibilities for the Audit of the Financial Statements (continued)
As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management 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.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
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ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

Riyadh: 24 Rajab 1442 H
(8 March 2021)

ALMUNAJEM COLD STORES COMPANY
(A LIMITED LIABILITY COMPANY)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	*31 December 2018* SR	*31 December 2017 Restated (Note 6)* SR	*1 January 2017 Restated (Note 6)* SR
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	7	**304,999,103**	301,189,803	303,890,374
Intangible assets	8	**5,850,239**	5,613,739	7,488,974
TOTAL NON-CURRENT ASSETS		**310,849,342**	306,803,542	311,379,348
CURRENT ASSETS				
Inventories	15	**345,454,909**	381,200,376	412,442,552
Right of return assets	14.1	**594,551**	637,838	640,756
Trade receivables	10	**193,669,893**	179,020,165	188,006,727
Due from related parties	13	**70,933,382**	7,222,815	13,893,393
Prepayments and other assets	12	**4,002,712**	3,278,005	4,279,391
Other current financial assets	11	**13,756,920**	116,244,526	51,349,007
Bank balances and cash	9	**28,346,521**	27,244,385	18,780,348
TOTAL CURRENT ASSETS		**656,758,888**	714,848,110	689,392,174
TOTAL ASSETS		**967,608,230**	1,021,651,652	1,000,771,522
PARTNERS' EQUITY AND LIABILITIES				
PARTNERS' EQUITY				
Capital	16	**150,000,000**	150,000,000	150,000,000
Statutory reserve		**75,000,000**	75,000,000	75,000,000
Actuarial valuation reserve		**2,341,455**	441,327	-
Retained earnings		**251,037,623**	307,650,147	194,396,262
TOTAL PARTNERS' EQUITY		**478,379,078**	533,091,474	419,396,262
NON-CURRENT LIABILITY				
Employees' defined benefit liabilities	17	**27,612,127**	26,813,559	26,444,407
TOTAL NON-CURRENT LIABILITY		**27,612,127**	26,813,559	26,444,407
CURRENT LIABILITIES				
Trade payables, accruals and other payables	18	**183,609,259**	181,749,482	178,005,783
Due to related parties	13	**72,886**	55,104	772,367
Due to a partner	13	**111,770,382**	111,524,995	112,620,659
Refund liabilities	14.1	**723,292**	832,900	848,239
Short term loans	19	**160,000,000**	161,000,000	245,000,000
Zakat payable	20	**5,441,206**	6,584,138	17,683,805
TOTAL CURRENT LIABILITIES		**461,617,025**	461,746,619	554,930,853
TOTAL LIABILITIES		**489,229,152**	488,560,178	581,375,260
TOTAL LIABILITIES AND PARTNERS' EQUITY		**967,608,230**	1,021,651,652	1,000,771,522

The attached notes 1 to 32 form part of these financial statements.

ALMUNAJEM COLD STORES COMPANY
(A LIMITED LIABILITY COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	*2018* SR	*2017 Restated (Note 6)* SR
Revenues	14	**2,497,344,873**	2,482,240,242
Cost of revenues		**(2,085,475,627)**	(2,098,315,739)
GROSS PROFIT		**411,869,246**	383,924,503
Selling and distribution expenses	21	**(207,241,181)**	(201,572,587)
General and administrative expenses	22	**(20,252,831)**	(20,357,693)
		(227,494,012)	(221,930,280)
OPERATING PROFIT		**184,375,234**	161,994,223
Other (loss)/income, net	23	**(22,612,234)**	1,507,444
Finance costs	24	**(6,847,167)**	(5,410,301)
PROFIT BEFORE ZAKAT FOR THE YEAR		**154,915,833**	158,091,366
Zakat	20	**(5,441,206)**	5,162,519
PROFIT FOR THE YEAR		**149,474,627**	163,253,885
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of employees' defined benefits liabilities	17	**1,900,128**	441,327
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**151,374,755**	163,695,212
Earnings per share			
Earnings per share attributable to ordinary equity holders of the Company (basic and diluted)	26	**996.50**	1,088.36

The attached notes 1 to 32 form part of these financial statements.

ALMUNAJEM COLD STORES COMPANY
(A LIMITED LIABILITY COMPANY)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Capital SR	*Statutory reserve SR*	*Actuarial valuation reserve (note 17) SR*	*Retained earnings SR*	*Total SR*
Balance at 31 December 2016 (IFRS for SME)	150,000,000	75,000,000	-	190,703,336	415,703,336
Impact of applying full IFRS (note 6)	-	-	-	3,692,926	3,692,926
As at 1 January 2017 (restated)	150,000,000	75,000,000	-	194,396,262	419,396,262
Profit for the year	-	-		163,253,885	163,253,885
Other comprehensive income	-	-	441,327		441,327
Total comprehensive income	-	-	441,327	163,253,885	163,695,212
Dividends (note 27)	-	-	-	(50,000,000)	(50,000,000)
As at 31 December 2017 (restated)	150,000,000	75,000,000	441,327	307,650,147	533,091,474
Profit for the year	-	-		149,474,627	149,474,627
Other comprehensive income	-	-	1,900,128		1,900,128
Total comprehensive income	-	-	1,900,128	149,474,627	151,374,755
Dividends (note 27)	-	-	-	(206,087,151)	(206,087,151)
As at 31 December 2018	**150,000,000**	**75,000,000**	**2,341,455**	**251,037,623**	**478,379,078**

The attached notes 1 to 32 form part of these financial statements.

ALMUNAJEM COLD STORES COMPANY
(A LIMITED LIABILITY COMPANY)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	***2018*** ***SR***	*2017* *(Restated Note 6)* *SR*
OPERATING ACTIVITIES			
Profit before zakat		**154,915,833**	158,091,366
Non-cash adjustments to reconcile profit before zakat to net cash flows from operating activities			
Depreciation	7	**25,840,303**	25,117,504
Amortization of intangible assets	8	**1,877,479**	1,945,940
Interest on employees' defined benefit liabilities	24	**997,361**	936,585
Interest charged on short term loans	24	**5,849,806**	4,473,716
Allowance for expected credit losses on trade receivables	10	**2,056,686**	2,742,147
Allowance for expected credit losses on other current financial assets	11	**1,657,889**	-
Gain on disposal of property, plant and equipment	23	**(604,118)**	(678,649)
Loss on property, plant and equipment related to fire loss	7	**4,117,306**	-
Employees' defined benefit liabilities	17	**3,210,019**	3,454,819
		199,918,564	196,083,428
Working capital adjustments:			
(Increase) decrease in trade receivable		**(16,706,414)**	6,244,415
Decrease (increase) in other current financial assets		**100,829,717**	(64,895,519)
(Increase) decrease in prepayments and other assets		**(724,707)**	1,001,386
Decrease in inventories		**35,745,467**	31,242,176
Decrease in right of return assets		**43,287**	2,918
Increase in trade payables, accruals, other payables		**1,913,913**	3,829,445
Decrease in refund liabilities		**(109,608)**	(15,339)
Increase (decrease) in due to related parties		**17,782**	(717,263)
(Increase) decrease in due from related parties		**(63,710,567)**	6,670,578
		257,217,434	179,446,225
Finance costs paid		**(5,903,942)**	(4,559,462)
Employees' defined benefit liabilities paid	17	**(1,508,684)**	(3,580,925)
Zakat paid	20	**(6,584,138)**	(5,937,148)
Net cash from operating activities		**243,220,670**	165,368,690
INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment	7	**(33,768,192)**	(23,248,624)
Proceeds from disposal of property, plant and equipment		**605,401**	1,510,340
Payments for purchase of intangible assets	8	**(2,113,979)**	(70,705)
Net cash used in investing activities		**(35,276,770)**	(21,808,989)
FINANCING ACTIVITIES			
Amounts received from a partner		**845,270**	845,270
Payments to a partner		**(599,883)**	(1,940,934)
Proceeds from short term loans		**4,798,000,000**	4,474,000,000
Repayments of short-term loans		**(4,799,000,000)**	(4,558,000,000)
Dividends paid	27	**(206,087,151)**	(50,000,000)
Net cash used in financing activities		**(206,841,764)**	(135,095,664)
Increase in bank balances and cash		**1,102,136**	8,464,037
Bank balances and cash at the beginning of the year	9	**27,244,385**	18,780,348
Bank balances and cash at the end of the year	9	**28,346,521**	27,244,385

ALMUNAJEM COLD STORES COMPANY
(A LIMITED LIABILITY COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2018

1. ORGANISATION AND ACTIVITIES

Almunajem Cold Stores Company (the "Company") is a limited liability company registered in Riyadh, Kingdom of Saudi Arabia (KSA) under commercial registration numbered 1010231822, dated 7 Rabie Thani 1428H (corresponding to 24 April 2007). The registered address of the Company is located at Riyadh, P O Box 1544, Riyadh 11451, KSA.

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

On 11 October 2020 the 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 has been changed from "Almunajem Cold Stores Company" to "Almunajem Foods Company" (A Saudi Closed Joint Stock Company). Legal formalities are completed subsequent to year-end on 17 February 2021 (note 31).

The Company is engaged in wholesale and retail trading in fruits, vegetables, cold and frozen 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	Almunajem Transport
1010465454	Riyadh
4030291805	Almunajem Cold Stores Meat Factory-Jeddah

2. BASIS OF PREPARATION

Statement of compliance
These financial statements have been prepared for inclusion in a prospectus in connection with an Initial Public Offering (IPO) 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 Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

The Company has issued its statutory financial statements for the year ended 31 December 2018, which were prepared in accordance with International Financial Reporting Standards for Small and medium-sized enterprises (SMEs) ("IFRS for SMEs") 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 Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS for SMEs as endorsed in KSA"). On 11 October 2020, the partners decided to go for IPO and the Capital Market Authority (CMA) has requested the Company to prepare financial statements for the year ended 31 December 2019 and 2018 with IFRS as endorsed in KSA. These financial statements for the year ended 31 December 2018 are the first, the Company has prepared in accordance with IFRS as endorsed in KSA. Refer to Note 6 for information on the first time adoption of the IFRS as endorsed in KSA by the Company.

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 4.

Basis of measurement
These financial statements have been prepared under the historical cost basis except for the employees' defined benefit liabilities, which has been actuarially valued as explained in the accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

All other assets are classified as non-current.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to the contracts with their customers. The Standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

(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 gives 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 the transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of 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 4.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, except for freehold land and capital work-in-progress, are stated at cost, net of accumulated depreciation and 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 incurred.

Freehold land 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 cost of revenues, selling and distribution expenses and general and administrative expenses, 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.

Leasing
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Company as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive on a straight-line basis over the lease term.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Company as a lessor (continued)
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.

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 is 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 selling and distribution expenses and general and administrative expenses.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial assets (continued)

Initial recognition and measurement (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (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 amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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

Bank balances and cash
Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of 30 to 45 days or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Trade receivable and other current financial assets
Trade receivable and other current financial assets are measured at amortized cost and comprise of trade receivables, advances to suppliers and contractors, employees’ receivable 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

Impairment

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

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

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

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

ii) Financial liabilities

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, other payables, loans and borrowings, due to a partner and due to related party. At 31 December 2018, all the Company's financial liabilities are classified at amortised cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Loans and borrowings
Loans and borrowings are measured at amortized cost and comprise of short-term loans.

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 that have been shipped by a supplier but have not yet been received by the buyer. The Company recognizes goods-in-transit when the shipment reached the destination (which is generally Saudi Arabian ports) in accordance with the terms of arrangement with suppliers and all the related costs of shipment (cost, insurance and freight) is borne by the supplier. Goods-in-transit are recorded at landed cost.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's 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
Zakat is calculated and provided for by Abdullah Al Ali Al Munajem Sons Company (the "Parent") 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 is charged to its statement of profit or loss and other comprehensive income in Zakat based on allocation by the Parent Company. For any assessment that may arise in the future related to the years from 2008 until 2020, will be borne the Parent Company.

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 value added tax 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 partners when approving the distribution. According to the Saudi Arabian Regulations for Companies, dividends are approved upon approval by the partners. The corresponding amount is directly recognized in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Post-employment obligation
Defined benefit plans:
The Company primarily has end of service benefits which qualify as defined benefit plans.

Defined benefit obligation ("DBO") is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. 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 and Workmen Law as well as the Company policy.

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. This having been achieved, the Company has resolved to discontinue such transfers. 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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

4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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 and other current financial assets
The Company uses a provision matrix to calculate ECLs for trade receivables and other current financial assets. 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.

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.

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

Revenue recognition - Estimating variable consideration for returns and volume rebates (continued)
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 the 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.

5. 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 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

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

Transition to IFRS 16
The Company plans to adopt IFRS 16 retrospectively starting from 1 January 2019 using the modified simplified transition approach as permitted under the specific transition provisions in the standard. In adopting IFRS 16, the Company will apply the following practical expedients:

- not to reassess whether a contract contains a lease or not, allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- the election, by class of underlying asset, not to separate non-lease components from lease components, and instead
- account for each lease component and any associated non-lease components as a single lease component.

Upon adopting IFRS 16 in 2019, the company will recognize a right of use assets and lease liabilities amounting to SR 38,719,271, respectively.

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 IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

Other amendments and interpretations, but do not have an impact on the financial statements:

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

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

Other amendments and interpretations, but do not have an impact on the financial statements:

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Interpretation will not have an impact on the financial statements of the Company.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liabilities (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liabilities (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liabilities (asset). The amendments had no impact on the financial statements of the Company's as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the financial statements as the Company does not have long-term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

- ***IFRS 3 Business Combinations***

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

- ***IFRS 11 Joint Arrangements***

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.

The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

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

Other amendments and interpretations, but do not have an impact on the financial statements (continued)

- ***IAS 12 Income Taxes***

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

These amendments are expected to have no impact on the financial statements of the Company.

- ***IAS 23 Borrowing Costs***

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Company's current practice is in line with these amendments, they are expected to have no impact on the financial statements of the Company.

6. IMPACT OF ADOPTION OF IFRS AS ENDORSED IN KSA

As fully described in note 2, the Company has issued its statutory financial statements for the year ended 31 December 2018 under IFRS for SMEs as endorsed in KSA and that on 11 October 2020, the partners decided to go for IPO and the Capital Market Authority (CMA) has requested the Company to prepare financial statements for the year ended 31 December 2018 under IFRS as endorsed in KSA. These financial statements, for the year ended 31 December 2018, are the first the Company has prepared in accordance with IFRS as endorsed in KSA. Accordingly, the Company has prepared financial statements that comply with IFRS as endorsed in KSA applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2017, the Company's date of transition to IFRS as endorsed in KSA. This note explains the principal adjustments made by the Company in restating its financial statements from IFRS for SMEs as endorsed in KSA to full IFRS as endorsed in KSA, including the statement of financial position as at 1 January 2017 and the financial statements as of, and for, the year ended 31 December 2017 and transition to IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers that became effective for annual period beginning on or after 1 January 2018.

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS as endorsed in KSA. The Company has not availed any exemption available at the first-time adoption.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2018

6. IMPACT OF ADOPTION OF IFRS AS ENDORSED IN KSA

6.1 Impact of adoption of IFRS on the Statement of Financial Position as at 1 January 2017 (date of transition to IFRS)

	Note	*Amounts previously reported under IFRS for SMEs SR*	*Reclassification and Remeasurements SR*	*IFRS as at 1 January 2017 SR*
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		303,890,374	-	303,890,374
Intangible assets		7,488,974	-	7,488,974
TOTAL NON-CURRENT ASSETS		311,379,348	-	311,379,348
CURRENT ASSETS				
Inventories		412,442,552	-	412,442,552
Right of return assets	6.8	-	640,756	640,756
Trade receivables	6.7	186,898,448	1,108,279	188,006,727
Due from related parties		13,893,393	-	13,893,393
Prepayments and other assets		4,279,391	-	4,279,391
Other current financial assets		51,349,007	-	51,349,007
Bank balances and cash		18,780,348		18,780,348
TOTAL CURRENT ASSETS		687,643,139	1,749,035	689,392,174
TOTAL ASSETS		999,022,487	1,749,035	1,000,771,522
PARTNERS' EQUITY AND LIABILITIES				
PARTNERS' EQUITY				
Capital		150,000,000	-	150,000,000
Statutory reserve		75,000,000	-	75,000,000
Retained earnings	6.8	190,703,336	3,692,926	194,396,262
TOTAL PARTNERS' EQUITY		415,703,336	3,692,926	419,396,262
NON-CURRENT LIABILITY				
Employees' defined benefit liability		29,236,537	(2,792,130)	26,444,407
TOTAL NON-CURRENT LIABILITY		29,236,537	(2,792,130)	26,444,407
CURRENT LIABILITIES				
Trade payables, accruals and other payables		178,005,783	-	178,005,783
Due to related parties		772,367	-	772,367
Due to a partner		112,620,659	-	112,620,659
Refund liabilities		-	848,239	848,239
Short term loans		245,000,000	-	245,000,000
Zakat payable		17,683,805	-	17,683,805
TOTAL CURRENT LIABILITIES		554,082,614	848,239	554,930,853
TOTAL LIABILITIES		583,319,151	(1,943,891)	581,375,260
TOTAL LIABILITIES AND PARTNERS' EQUITY		999,022,487	1,749,035	1,000,771,522

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2018

6. IMPACT OF ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

6.2 **Impact of adoption of IFRS on the Statement of Financial Position as at 31 December 2017**

	Note	*Amounts previously reported under IFRS for SMEs SR*	*Reclassification and Remeasurements SR*	*IFRS as at 31 December 2017 SR*
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		301,189,803	-	301,189,803
Intangible assets		5,613,739	-	5,613,739
TOTAL NON-CURRENT ASSETS		306,803,542	-	306,803,542
CURRENT ASSETS				
Inventories		381,200,376	-	381,200,376
Right of return assets		-	637,838	637,838
Trade receivables		178,654,033	366,132	179,020,165
Due from related parties		7,222,815	-	7,222,815
Prepayments and other assets		3,278,005	-	3,278,005
Other current financial assets		116,244,526	-	116,244,526
Bank balances and cash		27,244,385		27,244,385
TOTAL CURRENT ASSETS		713,844,140	1,003,970	714,848,110
TOTAL ASSETS		1,020,647,682	1,003,970	1,021,651,652
PARTNERS' EQUITY AND LIABILITIES				
PARTNERS' EQUITY				
Capital		150,000,000	-	150,000,000
Statutory reserve		75,000,000	-	75,000,000
Actuarial valuation reserve		-	441,327	441,327
Retained earnings		304,087,151	3,562,996	307,650,147
TOTAL PARTNERS' EQUITY		529,087,151	4,004,323	533,091,474
NON-CURRENT LIABILITY				
Employees' defined benefit liability		30,646,812	(3,833,253)	26,813,559
TOTAL NON-CURRENT LIABILITY		30,646,812	(3,833,253)	26,813,559
CURRENT LIABILITIES				
Trade payables, accruals and other payables		181,749,482	-	181,749,482
Refund liabilities		-	832,900	832,900
Due to related parties		55,104	-	55,104
Due to a partner		111,524,995	-	111,524,995
Short term loans		161,000,000	-	161,000,000
Zakat payable		6,584,138	-	6,584,138
TOTAL CURRENT LIABILITIES		460,913,719	832,900	461,746,619
TOTAL LIABILITIES		491,560,531	(3,000,353)	488,560,178
TOTAL LIABILITIES AND PARTNERS' EQUITY		1,020,647,682	1,003,970	1,021,651,652

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6. IMPACT OF ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

6.3 Impact of adoption of IFRS on total partners' equity

	Note	*31 December 2017 SR*	*1 January 2017 SR*
Total partners' equity reported under IFRS FOR SMEs		529,087,151	415,703,336
Allowance for expected credit losses – IFRS 9	6.7	366,132	1,108,279
Restatement of employees' defined benefits liabilities – IAS 19	6.5 a	3,391,926	2,792,130
Actuarial results of employees' defined liabilities - IAS 19	6.5 a	441,327	-
Restatement of sales and cost of revenues - IFRS 15	6.8	(195,062)	(207,483)
Total partners' equity under IFRS		533,091,474	419,396,262

6.4 Effect of IFRS adoption on the Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 December 2017

	Note	*Amounts previously reported under IFRS FOR SMEs SR*	*Effect of transition to IFRS SR*	*Amounts reported under IFRS SR*
Sales		2,482,224,903	15,339	2,482,240,242
Cost of revenues		(2,098,312,821)	(2,918)	(2,098,315,739)
GROSS PROFIT		383,912,082	12,421	383,924,503
Selling and distribution expenses		(202,824,717)	1,252,130	(201,572,587)
General and administrative expenses		(19,899,797)	(457,896)	(20,357,693)
TOTAL EXPENSES		(222,724,514)	794,234	(221,930,280)
OPERATING PROFIT		161,187,568	806,655	161,994,223
Other income		1,507,444	-	1,507,444
Finance costs		(4,473,716)	(936,585)	(5,410,301)
PROFIT BEFORE ZAKAT FOR THE YEAR		158,221,296	(129,930)	158,091,366
Zakat reversal		5,162,519	-	5,162,519
PROFIT FOR THE YEAR		163,383,815	(129,930.00)	163,253,885
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of employees' defined benefit liabilities		-	441,327	441,327
Total comprehensive income for the year		163,383,815	311,397	163,695,212

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2018

6. IMPACT OF ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

6.5 Reconciliation of total comprehensive income for the year ended 31 December 2017

	Note	*Net profit for the year SR*
Net profit reported under IFRS FOR SMEs		163,383,815
Allowance for expected credit losses – IFRS 9	6.7	(742,147)
Restatement of sales and cost of revenues - IFRS 15	6.8	12,421
Restatement of employees' defined benefits liabilities – IAS 19	a	599,796
Net profit reported under IFRS		163,253,885
Other comprehensive income, net of zakat		441,327
Total comprehensive income for the year under IFRS		163,695,212

a- *Restatement of employees' defined benefits liabilities*
Under IFRS for SMEs standards, the Company recorded its employees' defined benefits liabilities based on the labor laws regulatory requirements. In order to determine the liability under IFRS as endorsed in KSA, the Company used the projected unit method in calculating the liability. Consequently, a change in the liability for the prior year has been recorded in the opening retained earnings and the statement of comprehensive income for the year ended 31 December 2017 and on the retained earnings and other comprehensive income for the year ended 31 December 2018

6.6 Reconciliation of statement of cash flows for the year ended 31 December 2017
No major Impact of the conversion from IFRS for SMEs to IFRS in the statement of cash flow statement:

6.7 IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; and impairment.
The Company has applied IFRS 9 retrospectively, with the initial application date of 31 December 2017 and adjusting the comparative information for the year beginning 1 January 2017.

6.7.1 Impact on the statement of financial position (increase/(decrease))

	31 December 2017 SR	*1 January 2017 SR*
ASSET		
Trade receivable (allowance for ECL)	(742,147)	1,108,279
Total asset	(742,147)	1,108,279
PARTNERS' EQUITY		
Retained earnings	(742,147)	1,108,279
Total partners' equity	(742,147)	1,108,279

6.7.2 Impact on the statement of profit or loss and comprehensive income (increase/(decrease))

	31 December 2017 SR
Selling and distribution expenses	(742,147)
Total impact on profit or loss and other comprehensive income	(742,147)

6. IMPACT OF ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

6.7 IFRS 9 Financial Instruments (continued)

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs as endorsed in KSA. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the Company's financial statements are described below.

a- Classification and measurement of financial assets

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: The Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. The assessment of the Company's business model was made as of the date of initial application, 1 January 2019, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2019. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The classification and measurement requirements of IFRS 9 did not have a significant impact on the Company.

b- Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, the Company reversed excess impairment on the Company's trade receivables of SR 1,108,279, which resulted in an increase in retained earnings of SR 1,108,279 as at 1 January 2017.

The statement of financial position as at 31 December 2017 was restated, resulting in reversal of allowance for ECL and increase in trade receivables and retained earnings of SR 366,132. The statement of profit or loss for the year ended 31 December 2017 was also restated for the change in impairment which were recognised as decrease in selling and distribution expenses of SR 742,147.

6.8 IFRS 15 Revenue from Contracts with Customers

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

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

Upon the adoption of IFRS 15, the Company recognised right of return assets and Refund liabilities of SR 640,756 and SR 848,239 respectively, which resulted in a decrease in retained earnings of SR 207,483 as at 1 January 2017.

6. IMPACT OF ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

6.8 IFRS 15 Revenue from Contracts with Customers (continued)

The statement of financial position as at 31 December 2017 was restated, resulting in reversal of right of return assets and refund liabilities pertaining to 2018 sales and increase in retained earnings of SR 207,483. In addition, statement of financial position was restated to recognise total right of return assets and refund liabilities of SR 637,838 and SR 832,900, respectively.

The statement of profit or loss and other comprehensive income for the year ended 31 December 2017 was also restated for the change in right of return assets and refund liabilities which were recognised as decrease in sales and cost of revenues of SR 15,339 and SR 2,918, respectively.

6.8.1 **Impact on statement of financial position (increase/(decrease))**

	31 December 2017 SR	*1 January 2017 SR*
ASSET		
Right of return assets	(2,918)	640,756
Total asset	(2,918)	640,756
PARTNERS' EQUITY		
Retained earnings	12,421	(207,483)
Total partners' equity	12,421	(207,483)
LIABILITY		
Refund liabilities	(15,339)	848,239
Total liability	(15,339)	848,239

6.8.2 **Impact on the statement of profit or loss and comprehensive income (increase/(decrease))**

	31 December 2017 SR
Sales	15,339
Cost of revenues	(2,918)
Total impact on profit or loss and comprehensive income	12,421

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold land SR	*Buildings SR*	*Plant and equipment SR*	*Furniture and fixtures SR*	*Computer SR*	*Motor vehicles SR*	*Construction work in progress (b) SR*	***Total SR***
Cost:								
At 1 January 2017	83,954,109	152,381,641	113,210,552	19,668,646	12,537,131	106,615,830	8,045,751	496,413,660
Additions	-	284,947	2,256,944	877,342	653,702	545,271	18,630,418	23,248,624
Disposals	-	-	-	(59,630)	(11,702)	(3,891,197)	-	(3,962,529)
At 31 December 2017	83,954,109	152,666,588	115,467,496	20,486,358	13,179,131	103,269,904	26,676,169	515,699,755
Additions	-	588,184	3,969,748	1,160,253	712,210	17,175,063	10,162,734	33,768,192
Disposals	-	-	-	(24,900)	(207,321)	(2,602,757)	-	(2,834,978)
Fire disposals (a)	-	(6,629,773)	(7,771,409)	(824,935)	(336,920)	-	-	(15,563,037)
Reclassification	-	20,579,126	7,734,605	718,142	84,790	-	(29,116,663)	-
At 31 December 2018	**83,954,109**	**167,204,125**	**119,400,440**	**21,514,918**	**13,431,890**	**117,842,210**	**7,722,240**	**531,069,932**
Depreciation:								
At 1 January 2017	-	32,076,946	70,995,543	11,711,753	10,447,048	67,291,996	-	192,523,286
Charge for the year		4,624,580	7,566,811	1,798,836	985,197	10,142,080	-	25,117,504
Disposals	-	-	-	(54,663)	(9,072)	(3,067,103)	-	(3,130,838)
At 31 December 2017	-	36,701,526	78,562,354	13,455,926	11,423,173	74,366,973	-	214,509,952
Charge for the year	-	4,822,888	7,425,822	1,761,290	813,353	11,016,950	-	25,840,303
Disposals	-	-	-	(26,373)	(207,244)	(2,600,078)	-	(2,833,695)
Relating to fire disposals (a)	-	(2,933,674)	(7,613,702)	(577,180)	(321,175)	-	-	(11,445,731)
At 31 December 2018	-	38,590,740	78,374,474	14,613,663	11,708,107	82,783,845	-	226,070,829
Net book value:								
At 31 December 2018	**83,954,109**	**128,613,385**	**41,025,966**	**6,901,255**	**1,723,783**	**35,058,365**	**7,722,240**	**304,999,103**
At 31 December 2017	83,954,109	115,965,062	36,905,142	7,030,432	1,755,958	28,902,931	26,676,169	301,189,803
At 1 January 2017	83,954,109	120,304,695	42,215,009	7,956,893	2,090,083	39,323,834	8,045,751	303,890,374

7. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) During 2018, property, plant and equipment relating to Al-Qassim Cold Store with net book value of SR 4,117,306 were written off due to fire, this amount has been recorded as part of the total loss of SR 25,884,489 (note 23).

(b) Construction work in progress represents staff accommodation in Dammam and Meat Factory equipment , (31 December 2017: staff accommodation in Jeddah and new Dammam cold store and (1 January 2017: new Dammam cold store)

(c) Buildings with net book value amounting to SR 28.8 million (31 December 2017: SR 30 million, 1 January 2017: SR 31 million) are constructed on land leased from a related party under a short-term lease

(d) Building with net book value amounting to SR 9.6 million (31 December 2017: SR 9.9 million and 1 January 2017: SR 10.3 million) is constructed on land leased from Saudi Industrial Property Authority ("Modon") for a period of 20 years from 26 March 2018. The Company has the option of renewing the lease agreement on expiry of the initial lease term (note 30).

Depreciation charge for the year is allocated as follows:

	31 December 2018 SR	*31 December 2017 SR*
Cost of revenues	**2,306,661**	2,276,080
Selling and distribution expenses (note 21)	**22,870,941**	22,171,884
General and administrative expenses (note 22)	**662,701**	669,540
	25,840,303	25,117,504

8. INTANGIBLE ASSETS

	Computer software SR
Cost:	
At 1 January 2017	20,932,579
Additions	70,705
At 31 December 2017	21,003,284
Additions	2,113,979
Disposals	(5,493)
At 31 December 2018	**23,111,770**
Amortization:	
At 1 January 2017	13,443,605
Charge for the year	1,945,940
At 31 December 2017	15,389,545
Charge for the year	1,877,479
Disposals	(5,493)
At 31 December 2018	**17,261,531**
Net book value	
At 31 December 2018	**5,850,239**
At 31 December 2017	5,613,739
At 1 January 2017	7,488,974

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8. INTANGIBLE ASSETS (continued)

Amortization charge for the year is allocated as follows:

	31 December 2018 SR	*31 December 2017 SR*
Selling and distribution expenses (note 21)	**36,793**	13,461
General and administrative expenses (note 22)	**1,840,686**	1,932,479
	1,877,479	1,945,940

9. BANK BALANCES AND CASH

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Cash on hand	**3,583,842**	3,169,078	5,543,509
Cash at banks	**24,762,679**	24,075,307	13,236,839
	28,346,521	27,244,385	18,780,348

At 31 December 2018, the Company had available SR 260,000,000 (31 December 2017: SR 259,000,000, 1 January 2017: SR 175,000,000) of undrawn committed borrowing facilities.

10. TRADE RECEIVABLES

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Trade receivables	**201,122,994**	185,433,887	191,678,302
Less: Allowance for expected credit losses	**(7,453,101)**	(6,413,722)	(3,671,575)
	193,669,893	179,020,165	188,006,727

Terms and conditions of the above financial assets:
Trade receivables are non-interest bearing and are generally on terms of 90 days. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

The movements in the allowance for expected credit losses during the year were as follows:

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
As at beginning of the year	**6,413,722**	3,671,575	4,928,216
Allowance (reversal) for expected credit losses (note 21)	**2,056,686**	2,742,147	(1,108,279)
Write-off	**(1,017,307)**	-	(148,362)
	7,453,101	6,413,722	3,671,575

The ageing of unimpaired trade accounts receivable is as follows:

	Total SR	*< 30 days SR*	*< 31 to 90 days SR*	*91 to 180 days SR*	*181 to 365 days SR*	*> 365 days SR*
31 December 2018	**201,122,994**	**141,711,568**	**47,727,575**	**2,929,975**	**1,598,854**	**7,155,022**
31 December 2017	185,433,887	145,553,739	31,993,758	2,038,016	1,168,207	4,680,167
1 January 2017	191,678,302	148,288,693	37,807,432	919,736	348,681	4,313,760

Refer to (note 25.5) for information about the credit risk exposure on the Company's trade receivables using a provision matrix.

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11. OTHER CURRENT FINANCIAL ASSETS

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Advances to suppliers and contractors	**7,263,213**	113,066,500	47,655,387
Employees' receivables	**1,627,633**	1,365,037	1,593,340
Other financial assets	**6,523,963**	1,812,989	2,100,280
	15,414,809	116,244,526	51,349,007
Less: Allowance for expected credit losses	**(1,657,889)**	-	-
	13,756,920	116,244,526	51,349,007

The movements in the allowance for expected credit losses during the year were as follows:

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
At beginning of the year	**-**	-	-
Provision for expected credit losses (note 21)	**1,657,889**	-	-
Write-off	**-**	-	-
At the end of the year	**1,657,889**	-	-

12. PREPAYMENTS AND OTHER ASSETS

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Prepayments	**3,939,245**	3,278,005	4,279,391
Other assets	**63,467**	-	-
	4,002,712	3,278,005	4,279,391

13. RELATED PARTIES DISCLOSURES

Related parties represent associated companies, partners, directors 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 - under common control of the Parent company - included in the statement of profit or loss and other comprehensive income are as follows:

	Sales SR	***Purchases SR***	***Expenses on behalf SR***
France Poultry	-	176,448,644	-
Shawaya House Company	21,969,408	-	1,160,600
Gulf Catering Company	13,692,300	870,029	1,804,393
Gulf Catering Food Factory (Kako)	5,890,146	151,626	(404,257)
Nutrition and Diet Center Company	7,106,256	222,068	1,718,196
Burieda Trading and Refrigeration Company	-	8,170,430	726,110
Az-Zad Saudi Company	1,110,623	196,198	300,816
Al-Kafa'a Real State Company	-	-	(679,771)
Abdullah Al Ali Al Munajem Sons Company	-	-	(245,385)
Sudair Frozen Factory	-	-	-
Thati Limited Company	243,230	-	118,410
Al Ameda Contracting Company	-	-	(18,379)

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13. RELATED PARTIES DISCLOSURES (continued)

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

a) Amounts due from related parties

The breakdown of amounts due from related parties under common control of the Parent company is as follows:

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
France Poultry	**60,650,508**	-	-
Shawaya House Company	**4,204,968**	1,698,441	5,604,160
Nutrition and Diet Center Company	**3,337,381**	1,326,363	4,638,997
Gulf Catering Company	**1,109,872**	2,147,776	988,699
Gulf Catering Food Factory (Kako)	**1,046,812**	1,236,391	850,783
Az-Zad Saudi Company	-	-	1,049,184
Burieda Trading and Refrigeration Company	-	-	83,307
Al-Kafa'a Real State Company	-	-	268
Others	**583,841**	813,844	677,995
	70,933,382	7,222,815	13,893,393

b) Amounts due to related parties

The breakdown of amounts due to related parties under common control of the Parent company is as follows:

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Sudair Frozen Factory	**53,202**	-	-
Az-Zad Saudi Company	**19,684**	-	765,887
Al Ameda Contracting Company	-	55,104	6,480
	72,886	55,104	772,367

c) Amount due to a partner

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Abdullah Al Ali Al Munajem Sons Company	**111,770,382**	111,524,995	112,620,659

Terms and conditions of the above due to a partner:

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

The movement during the year is as follows:

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
At the beginning of the year	**111,524,995**	112,620,659	144,405,158
Expenses on behalf/(by) of Abdullah Al Ali Al Munajem Sons Company	**245,387**	(1,095,664)	(11,784,499)
Rent paid*	**845,270**	845,270	845,300
Payment	**(845,270)**	(845,270)	(20,845,300)
At the end of the year	**111,770,382**	111,524,995	112,620,659

*This represents payment towards a land lease contract with a partner.

13. RELATED PARTIES DISCLOSURES (continued)

d) 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:

	31 December 2018 ***SR***	*31 December 2017* *SR*
Short-term employee benefits	**4,743,745**	5,144,353
Employees' defined benefit liabilities	**561,552**	517,512

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

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 2018, 31 December 2017 and 1 January 2017, the amounts owed by related parties are not impaired.

14. REVENUES

	31 December 2018 ***SR***	*31 December 2017* *SR*
Non-retail - Goods transferred at a point in time	**1,533,533,434**	1,532,346,790
Retail - Goods transferred at a point in time	**959,943,333**	946,908,244
Services transferred over time	**3,868,106**	2,985,208
	2,497,344,873	2,482,240,242

Timing of revenue recognition	***31 December 2018*** ***SR***	*31 December 2017* *SR*
Goods transferred at a point in time	**2,493,476,767**	2,479,255,034
Services transferred over time	**3,868,106**	2,985,208
	2,497,344,873	2,482,240,242

14.1 RIGHT OF RETURN ASSETS AND REFUND LIABILITIES

	31 December 2018 ***SR***	*31 December 2017* *SR*	*1 January 2017* *SR*
Right of return assets	**594,551**	637,838	640,756
Refund liabilities	**723,292**	832,900	848,239

15. INVENTORIES

	31 December 2018 ***SR***	*31 December 2017* *SR*	*1 January 2017* *SR*
Goods for resale	**235,660,252**	266,107,895	255,299,533
Goods in transit	**99,060,979**	108,063,283	147,824,138
Other inventories	**10,733,678**	7,029,198	9,318,881
	345,454,909	381,200,376	412,442,552

During 2018, SR 2,085 million (2017: SR 2,098 million) was recognised as an expense for inventories carried at net realizable value. This is recognised in cost of revenues.

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16. CAPITAL

Capital is divided into 150,000 shares (31 December 2017: 150,000 shares, 1 January 2017: 150,000 shares) of SR 1,000 each. Percentage of holding is as follows:

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Abdullah Al Ali Al Munajem Sons Company	**99%**	99%	99%
Al-Kafa'a Real Estate Company	**1%**	1%	1%
	100%	100%	100%

17. EMPLOYEES' DEFINED BENEFITS LIABILITIES

	31 December 2018 SR	*31 December 2017 SR*
At the beginning of the year	**26,813,559**	26,444,407
Current service cost (recognized in profit and loss)	**3,210,019**	3,454,819
Interest cost (recognized in profit and loss)	**997,361**	936,585
Payment	**(1,508,684)**	(3,580,925)
Actuarial gain (recognized in OCI)	**(1,900,128)**	(441,327)
At the end of the year	**27,612,127**	26,813,559

The most recent actuarial valuation was performed by an independent, qualified actuary "LUX Actuaries and Consultants" using the projected unit credit method. LUX Actuaries and Consultants are licensed from the "Institute of Actuaries", "Casualty Actuarial Society" and "Institute and Faculty of Actuaries".

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	31 December 2018 SR	*31 December 2017 SR*
Discount rate	**4.55%**	3.85%
Duration of the Liability (in years)	**9.5**	10.2
Rate of salary increases	**2.00%**	2.00%

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

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

	31 December 2018 SR	*31 December 2017 SR*
At the beginning of the year	**441,327**	-
Actuarial gain on the obligation	**1,900,128**	441,327
At the end of the year	**2,341,455**	441,327

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.

	31 December 2018 SR	*31 December 2017 SR*
Increase in discount rate of 1%	**(2,038,204)**	(2,100,545)
Decrease in discount rate of 1%	**2,342,542**	2,429,707
Increase in rate of salary increase of 1%	**2,380,416**	2,451,309
Decrease in rate of salary increase of 1%	**(2,104,950)**	(2,155,615)

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17. EMPLOYEES' DEFINED BENEFITS LIABILITIES (continued)

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

	31 December 2018 SR	*31 December 2017 SR*
Within the next 12 months (next annual reporting period)	**4,336,437**	3,805,724
Between 2 and 5 years	**13,957,031**	12,996,708
Beyond 5 years	**18,898,100**	17,260,789

18. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Trade payables	**162,204,029**	162,685,132	160,190,729
Accrued expenses	**19,982,582**	17,771,556	16,704,284
Advances from customers	**501,919**	487,535	364,795
Other payables	**920,729**	805,259	745,975
	183,609,259	181,749,482	178,005,783

Terms and conditions of the above financial liabilities:
Trade payables and other payables are non-interest bearing and have a term of three months.

19. SHORT-TERM LOANS

	Effective Interest rate %	***Maturity***	***31 December 2018 SR***	*31 December 2017 SR*	*1 January 2017 SR*
SR 15 million	*SIBOR+ Fixed rate*	*Less than 1 month*	**15,000,000**		-
SR 62 million	*SIBOR+ Fixed rate*	*Less than 1 month*	**62,000,000**	-	-
SR 17 million	*SIBOR+ Fixed rate*	*Less than 1 month*	**17,000,000**	-	-
SR 17 million	*SIBOR+ Fixed rate*	*Less than 1 month*	**17,000,000**	-	-
SR 30 million	*SIBOR+ Fixed rate*	*Less than 1 month*	**30,000,000**	-	-
SR 19 million	*SIBOR+ Fixed rate*	*Less than 1 month*	**19,000,000**	-	-
SR 35 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	35,000,000	-
SR 7 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	7,000,000	-
SR 65 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	65,000,000	-
SR 34 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	34,000,000	-
SR 20 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	20,000,000	-
SR 35 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	-	35,000,000
SR 20 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	-	20,000,000
SR 20 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	-	20,000,000
SR 25 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	-	25,000,000
SR 20 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	-	20,000,000
SR 20 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	-	20,000,000
SR 20 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	-	20,000,000
SR 30 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	-	30,000,000
SR 35 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	-	35,000,000
SR 20 million	*SIBOR+ Fixed rate*	*Less than 1 month*	-	-	20,000,000
			160,000,000	161,000,000	245,000,000

The Company has obtained Murabaha and Tawaruq loans from local banks for financing the company's working capital requirements. The loans are secured by corporate guarantee from the parent company and carry borrowing costs at commercial rates.

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20. ZAKAT PAYABLE

Abdullah Al Ali Almunajem Sons Company (the "Parent Company") and the Company have filed their zakat declaration on a standalone basis until the year ended 31 December 2016. The Parent Company obtained an approval from the General Authority of Zakat and Tax (the GAZT) to submit its zakat returns on a combined basis, including the Company and therefore, from 2017 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 2017 through 2018 has already been submitted with GAZT. The Parent Company has also obtained the zakat certificate until 31 December 2018. The calculation of the zakat liability is done by calculating Zakat due on the standalone basis for each entity of the group and then prorating the amount due to each company based on the combined Zakat calculation of the group.

In view of the approval of IPO process (note 1) and change on legal status of the Company subsequent to the year end (note 31), 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 borne and settled by the Parent Company, therefore, no provision will be recorded in these financial statements in relation to any additional zakat exposure relating to prior years.

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

	31 December 2018 ***SR***	*31 December 2017* *SR*
Current year provision	**5,441,206**	6,584,138
Relating to prior periods (*)	**-**	(11,746,657)
Total provided during the year	**5,441,206**	(5,162,519)

(*) Abdullah Al Ali Al Munajem Sons Company (the "Parent Company") obtained an approval from the General Authority of Zakat and Tax (the GAZT) to submit its zakat returns on a combined basis, including the Company, for the years 2008 to 2016. Accordingly, the company will be charged with its share of zakat for the years from 2008 to 2016.

As a result, the excessive provisions in prior years have been reversed during the year.

Movement in the zakat provision:

	31 December 2018 ***SR***	*31 December 2017* *SR*
At the beginning of the year	**6,584,138**	17,683,805
Current year provision	**5,441,206**	6,584,138
Relating to prior periods	**-**	(11,746,657)
Payment during the year	**(6,584,138)**	(5,937,148)
At the end of the year	**5,441,206**	6,584,138

Status of assessments

Almunajem Cold Stores Company – Standalone zakat filing from 2008 to 2016
Zakat returns have been filed with the General Authority of Zakat and Tax (the GAZT) for all years from 2008 to 2016. However, final assessments have not yet been raised by the GAZT. For any assessment that may arise in the future related to the years from 2008 until 2020, will be borne the Parent Company.

Almunajem Cold Stores Company – Combined zakat filing from 2017 to 2018
Combined Zakat returns have been filed by the Parent Company, including the Company, with the General Authority of Zakat and Tax (the GAZT) for the years from 2017 to 2018. However, final assessments have not yet been raised by the GAZT.

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21. SELLING AND DISTRIBUTION EXPENSES

	31 December 2018 ***SR***	*31 December 2017* *SR*
Employee costs	**93,406,713**	88,708,597
Marketing expenses	**23,110,569**	23,310,938
Depreciation (note 7)	**22,870,941**	22,171,884
Utilities	**14,647,188**	15,121,672
Sales commission	**12,491,234**	12,026,687
Loading and unloading	**10,609,394**	10,566,668
Car running expenses	**8,225,973**	7,579,595
Rental expenses	**4,702,051**	4,434,626
Insurance	**3,014,631**	2,740,720
Cold stores maintenance	**2,651,196**	2,570,369
Allowance for ECL on trade receivables (note 10)	**2,056,686**	2,742,147
Allowance for ECL on other current financial assets (note 11)	**1,657,889**	-
Business travel expenses	**1,520,271**	1,535,359
Port detention/electric charges	**1,072,141**	2,678,883
Stationaries and printings	**975,500**	1,017,596
Amortization (note 8)	**36,793**	13,461
Other expenses	**4,192,011**	4,353,385
	207,241,181	201,572,587

22. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2018 ***SR***	*31 December 2017* *SR*
Employee costs	**12,670,377**	12,885,329
Amortization (note 8)	**1,840,686**	1,932,479
Bank charges	**1,202,059**	1,212,856
Depreciation (note 7)	**662,701**	669,540
Utilities	**655,383**	645,101
Professional fess	**408,264**	278,422
Repair and maintenance	**175,914**	565,076
Transportation and travelling	**180,652**	193,232
Other expenses	**2,456,795**	1,975,658
	20,252,831	20,357,693

23. OTHER (LOSS)/INCOME, NET

	31 December 2018 ***SR***	*31 December 2017* *SR*
Gain from a contingent asset (see note (a) below), net	**2,436,539**	-
Gain on disposal of property, plant and equipment	**604,118**	678,649
Other income	**231,598**	828,795
Fire loss (b)	**(25,884,489)**	-
	(22,612,234)	1,507,444

a) During 2018, the Company received an amount of SR 4.2 million which is related to a lawsuit raised against one of the suppliers, the court order was issued on 17 October 2018 in the favor of the Company. Amount paid to the legal counselor regarding this case is SR 1.8 million.

b) During 2018, the Company incurred a net loss of SR 25.9 million relating to a cold store fire located in Al Qassim This included loss of property, plant and equipment and inventories of SR 4,117,306 and SR 21,767,183 respectively.

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24. FINANCE COSTS

	31 December 2018 *SR*	*31 December 2017* *SR*
Interest on bank borrowings	**5,849,806**	4,473,716
Interest on employees' defined benefit liabilities (note 17)	**997,361**	936,585
	6,847,167	5,410,301

25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

25.1 FINANCIAL ASSETS

	31 December 2018 *SR*	*31 December 2017* *SR*
Financial assets at amortised cost:		
Trade receivables	**193,669,893**	179,020,165
Due from related parties	**70,933,382**	7,222,815
Other current financial assets	**13,756,920**	116,244,526
	278,360,195	302,487,506
Bank balances and cash	**28,346,521**	27,244,385
Total financial assets	**306,706,716**	329,731,891

25.2 FINANCIAL LIABILITIES

	Effective Interest rate	*Maturity*	*31 December 2018* *SR*	*31 December 2017* *SR*
Current interest-bearing liabilities				
Trade payables and other payables	*Interest free*	*Less than 1 year*	**163,626,677**	163,977,926
Short term loans	*Note 19*	*Less than 1 month*	**160,000,000**	161,000,000
Due to a partner (see note (a) below)	*Interest free*	*Less than 1 year*	**111,770,382**	111,524,995
Due to related parties	*Interest free*	*Less than 1 year*	**72,886**	55,104
			435,469,945	163,977,926

a) SR 107,586,101 has been transferred from this balance to increase in capital. The Company has increased its capital from SR 150 million to SR 600 million. Also, the Company has been converted to a Closed Joint Stock Company, and the approval from the Ministry of Commerce on 17 February 2021.

25.3 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2018 *SR*	*Cash flows* *SR*	*31 December 2018* *SR*
Short term loans	161,000,000	(1,000,000)	160,000,000
Total liabilities from financing activities	**161,000,000**	**(1,000,000)**	**160,000,000**

	1 January 2017 *SR*	*Cash flows* *SR*	*31 December 2017* *SR*
Short term loans	245,000,000	(84,000,000)	161,000,000
Total liabilities from financing activities	245,000,000	(84,000,000)	161,000,000

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25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

25.4 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. Its financial liabilities consist of trade payables, short term loans, due to a partner and due to related parties.

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 above financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

25.5 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities mainly comprise of accounts payable and other liabilities and due to a partner, due to related parties and short-term loans. The Company's financial assets include of bank balances and cash, account receivables and other 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 month.

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:

	45 basis points increase SR	*45 basis points decrease SR*
2018	**(20,350)**	**20,350**
2017	(13,625)	13,625

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 2018 is SR 37,324,362 (2017: SR 27,137,792)

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25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

25.5 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency sensitivity
The following tables demonstrate the sensitivity to a reasonably possible change in SAR 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 SR	*5% decrease SR*
2018	**1,633,226**	**(1,633,226)**
2017	1,356,890	(1,356,890)

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. ECL impact on other current financial assets is SR1,657,889 (2017: Nil).

Trade receivables
The average credit period granted is 90 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. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. 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 2018						
Expected credit loss rate %	0.20%	0.68%	25.24%	52.85%	73.50%	
Gross carrying amount	141,711,568	47,727,575	2,929,975	1,598,854	7,155,022	**201,122,994**
Simplified ECL	(286,800)	(322,939)	(739,446)	(844,976)	(5,258,940)	**(7,453,101)**
	141,424,768	47,404,636	2,190,529	753,878	1,896,082	**193,669,893**

		Trade receivable – days past due				
	Not past due SR	*<90 SR*	*90-180 SR*	*181-365 SR*	*>365 SR*	*Total SR*
31 December 2017						
Expected credit loss rate %	0.08%	0.32%	15.50%	37.31%	73.50%	
Gross carrying amount	145,553,739	31,993,758	2,038,016	1,168,207	4,680,167	185,433,887
Simplified ECL	(118,558)	(103,570)	(315,842)	(435,830)	(3,439,922)	(4,413,722)
100% ECL	-	(125,532)	(997,306)	(141,060)	(736,102)	(2,000,000)
	145,435,181	31,764,656	724,868	591,317	504,143	179,020,165

ALMUNAJEM COLD STORES COMPANY
(A LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2018

25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

25.5 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade receivables **(continued)**

		Trade receivable – days past due				
	Not past due *SR*	*<90* *SR*	*90-180* *SR*	*181-365* *SR*	*>365* *SR*	*Total* *SR*
1 January 2017						
Expected credit loss rate %	0.07%	0.34%	15.97%	34.86%	73.50%	
Gross carrying amount	148,288,693	37,807,432	919,736	348,681	4,313,760	191,678,302
Simplified ECL	(102,968)	(129,520)	(146,921)	(121,553)	(3,170,613)	(3,671,575)
	148,185,725	37,677,912	772,815	227,128	1,143,147	188,006,727

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 2018	***Within 3 months*** *SR*	***3 months to 1 year*** *SR*	***1 to 5 years*** *SR*	***More than 5 years*** *SR*	***Total*** ***SR***
Trade payables and other payables	163,626,677	-	-	-	163,626,677
Due to a partner	111,770,382	-	-	-	111,770,382
Due to related parties	72,886	-	-	-	72,886
Short term loans	160,000,000	-	-	-	160,000,000
	435,469,945	**-**	**-**	**-**	**435,469,945**

31 December 2017	***Within 3 months*** ***SR***	***3 months to 1 year*** ***SR***	***1 to 5 years*** ***SR***	***More than 5 years*** ***SR***	***Total*** ***SR***
Trade payables and other payables	163,977,926	-	-	-	163,977,926
Due to a partner	111,524,995	-	-	-	111,524,995
Due to related parties	55,104	-	-	-	55,104
Short term loans	161,000,000	-	-	-	161,000,000
	436,558,025	**-**	**-**	**-**	**436,558,025**

26. EARNING PER SHARE (EPS)

EPS is calculated by dividing the profit for the year attributable to equity holders of the Company by the number of shares outstanding at the year-end.

Basic and diluted earnings per share attributable to ordinary equity holders of the Parent Company for the year ended 31 December 2018 amounted to SR 996.50 per share (31 December 2017: SR 1,088.36 per share). The profit for the year ended 31 December 2018 amounted to SR 149,474,627 (31 December 2017: SR 163,253,885 and the number of ordinary shares for basic and diluted EPS as at 31 December 2018 are 150,000 (31 December 2017: 150,000).

There has been no item of dilution affecting the number of ordinary shares.

ALMUNAJEM COLD STORES COMPANY
(A LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2018

27. DIVIDENDS

The Senior Management in their meeting held on 23 Jumada al-thani1439H (corresponding to 11 March 2018) proposed dividends declaration of SR 206,087,151 – SR 1,373.91 per share (31 December 2017: SR 50,000,000 – SR 333.33 per share).

28. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company informally 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, amounts due to a partner, employees' defined benefit liabilities, zakat payable, less cash and bank balances.

	31 December 2018 SR	*31 December 2017 SR*
Short term loans	**160,000,000**	161,000,000
Due to a partner	**111,770,382**	111,524,995
Employees' defined benefit liabilities	**27,612,127**	26,813,559
Zakat payable	**5,441,206**	6,584,138
Less: Bank balances and cash	**(28,346,521)**	(27,244,385)
	276,477,194	278,678,307
Equity	**478,379,078**	533,091,474
Capital and net debt	**754,856,272**	811,769,781
Gearing ratio	**37%**	34%

29. SEGMENT INFORMATION

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

31 December 2018	***Central region SR***	***Eastern region SR***	***Western region SR***	***Total SR***
Revenues	1,107,763,883	482,151,718	907,429,272	2,497,344,873
Cost of revenues	(919,592,846)	(400,424,103)	(765,458,678)	(2,085,475,627)
Asset depreciation and amortization	(9,355,427)	(4,608,570)	(13,753,785)	(27,717,782)
Segment profit	95,459,920	25,832,977	33,622,936	154,915,833
Total assets	441,271,020	185,968,370	340,368,840	967,608,230
Total liabilities	407,428,219	27,749,960	54,050,973	489,229,152

29. SEGMENT INFORMATION (continued)

31 December 2017	*Central region SR*	*Eastern region SR*	*Western region SR*	*Total SR*
Revenues	1,085,534,598	464,380,259	932,325,385	2,482,240,242
Cost of revenues	(911,027,979)	(392,500,698)	(794,787,062)	(2,098,315,739)
Asset depreciation and amortization	(10,436,830)	(3,243,346)	(13,383,268)	(27,063,444)
Segment profit	**93,279,205**	**2,297,483**	**62,514,678**	**158,091,366**
Total assets	511,074,241	172,767,096	337,810,315	1,021,651,652
Total liabilities	475,799,977	5,513,899	7,246,302	488,560,178

The top 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. Also, the Company's financing (including finance costs, salaries and benefits of CEO, directors, finance and IT departments, legal and HR departments, administrative and support department, other expenses and other income) and Zakat are managed on a Company basis and are not allocated to operating segments.

30. CONTINGENT LIABILITIES AND COMMITMENTS

The Company has given letters of guarantee, limited to SR 1,978,842 (31 December 2017: SR 300,000, 1 January 2017: SR 310,000), in respect of contract performance, and letters of credit amounting to SR 69,467,934 (31 December 2017: SR 64,237,413, 1 January 2017: SR 83,990,040).

Operating lease commitments — Company as a lessee
The Company has entered into operating leases on certain motor vehicles, land and items of machinery, with lease terms between three and five years. The Company has the option, under some of its leases, to lease the assets for additional terms of three to five years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	31 December 2018 SR	*31 December 2017 SR*
Within one year	**913,148**	834,027
After one year but not more than five years	**3,576,582**	3,676,782
	4,489,730	4,510,809

This includes both short term and long-term leases.

31. SUBSEQUENT EVENTS DISCLOSURE

A- On 11 October 2020 the partners have decided to go for an IPO.

Also, the partners resolved in their meeting dated 2 November 2020 the following:

I. To convert the Company from Limited Liability Company to a Closed Joint Stock Company. Legal formalities are completed subsequent to year-end on 17 February 2021.
II. To increase the capital from an amount of SR 150,000,000 to an amount of SR 600,000.000 by transferring an amount of SR 107,586,101 from due to a partner, 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.
III. To change the name of the Company from AlMunajem Cold Store Company to AlMunajem Foods Company.

31. SUBSEQUENT EVENTS DISCLOSURE (continued)

B- 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 resulted in a slowdown of economic activities and shutdowns 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 period. 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 partners and other factors.

As far and as of the date of preparation of the financial statements for the year ended 31 December 2018, the Company's operations have not incurred significant 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.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2018 were authorised for issuance by the partners on 24 Rajab 1442 H (corresponding to 8 March 2021).

ALMUNAJEM COLD STORES COMPANY
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

ALMUNAJEM COLD STORES COMPANY
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2019

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE PARTNERS OF ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

Opinion

We have audited the financial statements of Almunajem Cold Stores Company - (A Limited Liability Company) (the "Company"), which comprise the statement of financial position as at 31 December 2019, 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 2019, 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 Certified Public 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 that are 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.

Emphasis of Matter

We draw attention to note (2) to the financial statements, which sets out that the accompanying financial statements have been prepared by the Company for inclusion in a prospectus for the purposes of an Initial Public Offering (IPO). The Company has issued their statutory financial statements for the year ended 31 December 2019 which were prepared in accordance with International Financial Reporting Standards for Small and medium-sized enterprises (SMEs) ("IFRS for SMEs"), and we issued our Audit report thereon on 20 April 2020. Our opinion is not modified in respect of this matter.

Responsibilities of Management 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 Certified Public Accountants and the provisions of Companies' Law and Company's Articles of Association, 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.

The management is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE PARTNERS OF ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company) - continued

Auditor's Responsibilities for the Audit of the Financial Statements (continued)
As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management 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.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
EY
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

Riyadh: 24 Rajab 1442 H
(8 March 2021)

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	*2019* *SR*	*2018* *SR*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	**304,116,061**	304,999,103
Intangible assets	9	**5,005,704**	5,850,239
Right-of-use assets	7	**44,941,920**	-
TOTAL NON-CURRENT ASSETS		**354,063,685**	310,849,342
CURRENT ASSETS			
Inventories	16	**391,814,031**	345,454,909
Right of return assets	15.1	**544,782**	594,551
Trade receivables	11	**187,532,454**	193,669,893
Due from related parties	14	**46,713,617**	70,933,382
Prepayments and other assets	13	**9,528,147**	4,002,712
Other current financial assets	12	**12,821,070**	13,756,920
Bank balances and cash	10	**20,090,651**	28,346,521
TOTAL CURRENT ASSETS		**669,044,752**	656,758,888
TOTAL ASSETS		**1,023,108,437**	967,608,230
PARTNERS' EQUITY AND LIABILITIES			
PARTNERS' EQUITY			
Capital	17	**150,000,000**	150,000,000
Statutory reserve		**75,000,000**	75,000,000
Actuarial valuation reserve		**(1,500,754)**	2,341,455
Retained earnings		**240,202,303**	251,037,623
TOTAL PARTNERS' EQUITY		**463,701,549**	478,379,078
NON-CURRENT LIABILITIES			
Lease liability – noncurrent portion	7	**38,684,294**	-
Employees' defined benefit liabilities	18	**34,793,554**	27,612,127
TOTAL NON-CURRENT LIABILITIES		**73,477,848**	27,612,127
CURRENT LIABILITIES			
Trade payables, accruals and other payables	19	**201,452,414**	183,609,259
Due to related parties	14	**195,761**	72,886
Due to a partner	14	**107,988,225**	111,770,382
Refund liabilities	15.1	**740,000**	723,292
Lease liability – current portion	7	**7,772,498**	-
Short term loans	20	**165,000,000**	160,000,000
Zakat payable	21	**2,780,142**	5,441,206
TOTAL CURRENT LIABILITIES		**485,929,040**	461,617,025
TOTAL LIABILITIES		**559,406,888**	489,229,152
TOTAL LIABILITIES AND PARTNERS' EQUITY		**1,023,108,437**	967,608,230

The attached notes 1 to 33 form part of these financial statements.

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	*2019* SR	*2018* SR
Revenues	15	**2,419,060,417**	2,497,344,873
Cost of revenues		**(2,084,409,540)**	(2,085,475,627)
GROSS PROFIT		**334,650,877**	411,869,246
Selling and distribution expenses	22	**(205,968,994)**	(207,241,181)
General and administrative expenses	23	**(19,250,171)**	(20,252,831)
Depreciation of right-of-use assets	7	**(5,405,468)**	-
		(230,624,633)	(227,494,012)
OPERATING PROFIT		**104,026,244**	184,375,234
Other income/(loss), net	24	**17,448,946**	(22,612,234)
Finance costs	25	**(9,530,368)**	(6,847,167)
PROFIT BEFORE ZAKAT FOR THE YEAR		**111,944,822**	154,915,833
Zakat	21	**(2,780,142)**	(5,441,206)
PROFIT FOR THE YEAR		**109,164,680**	149,474,627
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of employees' defined benefit liabilities	18	**(3,842,209)**	1,900,128
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**105,322,471**	151,374,755
Earnings per share			
Earnings per share attributable to ordinary equity holders of the Company (basic and diluted)	27	**727.76**	996.50

The attached notes 1 to 33 form part of these financial statements.

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Capital SR	*Statutory reserve SR*	*Actuarial valuation reserve (note 18) SR*	*Retained earnings SR*	*Total SR*
As at 1 January 2018	150,000,000	75,000,000	441,327	307,650,147	533,091,474
Profit for the year	-	-	-	149,474,627	149,474,627
Other comprehensive income	-	-	1,900,128	-	1,900,128
Total comprehensive income	-	-	1,900,128	149,474,627	151,374,755
Dividends (note 28)	-	-	-	(206,087,151)	(206,087,151)
As at 31 December 2018	150,000,000	75,000,000	2,341,455	251,037,623	478,379,078
Profit for the year	-	-	-	109,164,680	109,164,680
Other comprehensive loss	-	-	(3,842,209)	-	(3,842,209)
Total comprehensive income	-	-	(3,842,209)	109,164,680	105,322,471
Dividends (note 28)	-	-	-	(120,000,000)	(120,000,000)
As at 31 December 2019	**150,000,000**	**75,000,000**	**(1,500,754)**	**240,202,303**	**463,701,549**

The attached notes 1 to 33 form part of these financial statements.

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	*2019* *SR*	*2018* *SR*
OPERATING ACTIVITIES			
Profit before zakat		**111,944,822**	154,915,833
Non-cash adjustments to reconcile profit before zakat to net cash flows from operating activities			
Amortization of right-of-use assets	7	**5,405,468**	-
Depreciation	8	**27,470,635**	25,840,303
Amortization of intangible assets	9	**1,241,373**	1,877,479
Interest on lease liabilities	25	**975,309**	-
Interest on employees’ defined benefit liabilities	25	**1,216,116**	997,361
Interest charged on short term loans	25	**7,338,943**	5,849,806
Allowance for expected credit losses on trade receivables	11	**1,033,841**	2,056,686
Allowance for expected credit losses on other current financial assets	12	**-**	1,657,889
Gain on disposal of property, plant and equipment	24	**(3,657,731)**	(604,118)
Loss on property, plant and equipment related to fire loss	8	**-**	4,117,306
Employees’ defined benefit liabilities	18	**3,673,915**	3,210,019
		156,642,691	199,918,564
Working capital adjustments:			
Decrease (increase) in trade receivable		**5,103,598**	(16,706,414)
Decrease in other current financial assets		**935,850**	100,829,717
Increase in prepayments and other assets		**(5,525,435)**	(724,707)
Increase (decrease) in inventories		**(46,359,122)**	35,745,467
Decrease in right of return assets		**49,769**	43,287
Increase in trade payables, accruals, other payables		**17,634,939**	1,913,913
Increase (decrease) in refund liabilities		**16,708**	(109,608)
Increase in due to related parties		**122,875**	17,782
Decrease (increase) in due from related parties		**24,219,765**	(63,710,567)
		152,841,638	257,217,434
Payment of interest portion of lease liabilities		**(221,689)**	-
Finance costs paid		**(7,130,727)**	(5,903,942)
Employees' defined benefit liabilities paid	18	**(1,550,813)**	(1,508,684)
Zakat paid	21	**(5,441,206)**	(6,584,138)
Net cash from operating activities		**138,497,203**	243,220,670
INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment	8	**(27,033,692)**	(33,768,192)
Proceeds from disposal of property, plant and equipment		**4,103,830**	605,401
Payments for purchase of intangible assets	9	**(396,838)**	(2,113,979)
Net cash used in investing activities		**(23,326,700)**	(35,276,770)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities		**(4,644,216)**	-
Amounts received from a partner		**845,270**	845,270
Payments to a partner		**(4,627,427)**	(599,883)
Proceeds from short term loans		**5,240,000,000**	4,798,000,000
Repayments of short-term loans		**(5,235,000,000)**	(4,799,000,000)
Dividends paid	28	**(120,000,000)**	(206,087,151)
Net cash used in financing activities		**(123,426,373)**	(206,841,764)
(Decrease) increase in bank balances and cash		**(8,255,870)**	1,102,136
Bank balances and cash at the beginning of the year	10	**28,346,521**	27,244,385
Bank balances and cash at the end of the year	10	**20,090,651**	28,346,521
Non-cash transactions			
Right of use assets		**38,719,271**	-
Lease liability		**38,719,271**	-

The attached notes 1 to 33 form part of these financial statements.

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

1. ORGANISATION AND ACTIVITIES

Almunajem Cold Stores Company (the "Company") is a limited liability company registered in Riyadh, Kingdom of Saudi Arabia (KSA) under commercial registration numbered 1010231822, dated 7 Rabie Thani 1428H (corresponding to 24 April 2007). The registered address of the Company is located at Riyadh, P O Box 1544, Riyadh 11451, KSA.

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

On 11 October 2020 the 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 has been changed from "Almunajem Cold Stores Company" to "Almunajem Foods Company" (A Saudi Closed 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 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	Almunajem Transport
1010465454	Riyadh
4030291805	Almunajem Cold Stores Meat Factory-Jeddah

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared for inclusion in a prospectus in connection with an Initial Public Offering (IPO) 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 Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

The Company has issued its statutory financial statements for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards for Small and medium-sized enterprises (SMEs) ("IFRS for SMEs") 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 Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS for SMEs as endorsed in KSA"). On 11 October 2020, the partners decided to go for IPO and the Capital Market Authority (CMA) has requested the Company to prepare financial statements for the year ended 31 December 2019 and 2018 under IFRS as endorsed in KSA.

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.

Basis of measurement

These financial statements have been prepared under the historical cost basis except for the employees' defined benefit liabilities, which has been actuarially valued as explained in the accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Presentation and functional currency

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

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company (see Note 6).

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

IFRS 16 – Leases
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 increase is, as follows:

	1 January 2019
	SR
Assets	
Right-of-use assets	**38,719,271**
Total assets	**38,719,271**

	1 January 2019
	SR
Liabilities	
Lease liabilities	**38,719,271**
Total liabilities	**38,719,271**

The Company has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously accounted for as operating leases The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised, if any. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	1 January 2019 *SR*
Assets	
Operating lease commitments as at 31 December 2018	**10,986,655**
Weighted average incremental borrowing rate as at 1 January 2019	**2.39%**
Discounted operating lease commitments as at 1 January 2019	**8,109,323**
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	**30,609,948**
Lease liabilities as at 1 January 2019	**38,719,271**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

All other assets are classified as non-current.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
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 partner, 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 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.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to the contracts with their customers. The Standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

(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 gives 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 transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of 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.*

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, except for freehold land and capital work-in-progress, are stated at cost, net of accumulated depreciation and 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 incurred.

Freehold land 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 cost of revenues, selling and distribution expenses and general and administrative expenses, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases
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.

i) Right-of-use 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

ii) Lease liabilities
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.

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.

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Intangible assets* (continued)**
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 selling and distribution expenses and general and administrative expenses.

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

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

Bank balances and cash
Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of 30 to 45 days or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Trade receivable and other current financial assets
Trade receivable and other current financial assets are measured at amortized cost and comprise of trade receivables, advances to suppliers and contractors, employees' receivable 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Financial instruments* (continued)**

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

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.

ii) Financial liabilities

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, other payables, loans and borrowings, lease liabilities, due to a partner and due to related party. At 31 December 2019, all the Company's financial liabilities are classified at amortised cost.

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 and due to a partner

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

Loans and borrowings

Loans and borrowings are measured at amortized cost and comprise of short-term loans.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 that have been shipped by a supplier but have not yet been received by the buyer. The Company recognizes goods-in-transit when the shipment reached the destination (which is generally Saudi Arabian ports) in accordance with the terms of arrangement with suppliers and all the related costs of shipment (cost, insurance and freight) is borne by the supplier. Goods-in-transit are recorded at landed cost.

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 asset's 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat
Zakat is calculated and provided for by Abdullah Al Ali Al Munajem Sons Company (the "Parent") 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 is charged to its statement of profit or loss and other comprehensive income in Zakat based on allocation by the Parent Company. For any assessment that may arise in the future related to the years from 2008 until 2020, will by borne the Parent Company.

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 partners when approving the distribution. According to the Saudi Arabian Regulations for Companies, dividends are approved upon approval by the partners. The corresponding amount is directly recognized in equity.

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

Post-employment obligation
Defined benefit plans:
The Company primarily has end of service benefits which qualify as defined benefit plans.

Defined benefit obligation ("DBO") is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. 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 and Workmen Law as well as the Company policy.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. This having been achieved, the Company has resolved to discontinue such transfers. 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.

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of 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 differences 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 and other current financial assets
The Company uses a provision matrix to calculate ECLs for trade receivables and other current financial assets. 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.

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

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 – Group 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 land with shorter non-cancellable period (i.e., twenty years). 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 with longer non-cancellable periods (i.e., 20 years) 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.

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

Revenue recognition - Estimating variable consideration for returns and volume rebates (continued)
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.

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 IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND OTHER AMENDMENTS

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

Other amendments and interpretations, but do not have an impact on the financial statements:

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Interpretation will not have an impact on the financial statements of the Company.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liabilities (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liabilities (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liabilities (asset). The amendments had no impact on the financial statements of the Company's as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the financial statements as the Company does not have long-term interests in its associate and joint venture.

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

Other amendments and interpretations, but do not have an impact on the financial statements (continued)

Annual Improvements 2015-2017 Cycle

- **IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

- **IFRS 11 Joint Arrangements**

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.

The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

- **IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

These amendments are expected to have no impact on the financial statements of the Company.

- **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Company's current practice is in line with these amendments, they are expected to have no impact on the financial statements of the Company.

7. LEASES

The Company has lease contracts for buildings, 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.

As of 31 December 2019, the Company had a short-term lease leased assets amounting to SR 1,257,537.

The Company also has certain leases of motor vehicles and offices with lease terms of 12 months or less. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. There is one lease contract that include extension which are further discussed below.

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

7. LEASES (continued)

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 2019	288,300	32,185,238	6,245,733	**38,719,271**
Additions	4,986,934	-	6,641,183	**11,628,117**
Depreciation expense	(280,435)	(1,531,631)	(3,593,402)	**(5,405,468)**
At 31 December 2019	4,994,799	30,653,607	9,293,514	**44,941,920**

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

	Buildings SR	*Land* SR*	*Motor vehicles SR*	***Total SR***
As at 1 January 2019	288,300	32,185,238	6,245,733	**38,719,271**
Additions	4,986,934	-	6,641,183	**11,628,117**
Accretion of interest (note 25)	53,575	749,081	172,653	**975,309**
Payments	(322,500)	(845,270)	(3,698,135)	**(4,865,905)**
At 31 December 2019	5,006,309	32,089,049	9,361,434	**46,456,792**
Current	527,513	2,971,271	4,273,714	**7,772,498**
Non-Current	4,478,796	29,117,778	5,087,720	**38,684,294**

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

The following are the amounts recognised in profit or loss:

	For the year ended 31 December 2019 SR
Depreciation expense of right-of-use assets	**5,405,468**
Interest expense on lease liabilities (note 25)	**975,309**
Expense relating to short-term leases (note 22)	**1,257,537**
Total amount recognised in profit or loss	**7,638,314**

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The Company had total cash outflows for leases of SR 4,865,905 in 2019 (SR 5,612,212 in 2018). The Company also had non-cash additions to right-of-use assets and lease liabilities of SR 38,719,271 in 2019 (SR Nil in 2018).

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 7,808,302 (2018: SR 3,868,106).

The Company has a lease contract 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 (see Note 5).

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold land SR	*Buildings SR*	*Plant and equipment SR*	*Furniture and fixture SR*	*Computer SR*	*Motor vehicles SR*	*Construction work in progress (b) SR*	***Total SR***
Cost:								
At 1 January 2018	83,954,109	152,666,588	115,467,496	20,486,358	13,179,131	103,269,904	26,676,169	515,699,755
Additions	-	588,184	3,969,748	1,160,253	712,210	17,175,063	10,162,734	33,768,192
Disposals	-	-	-	(24,900)	(207,321)	(2,602,757)	-	(2,834,978)
Fire disposals (a)	-	(6,629,773)	(7,771,409)	(824,935)	(336,920)	-	-	(15,563,037)
Reclassification	-	20,579,126	7,734,605	718,142	84,790	-	(29,116,663)	-
At 31 December 2018	83,954,109	167,204,125	119,400,440	21,514,918	13,431,890	117,842,210	7,722,240	531,069,932
Additions	-	699,577	899,087	694,828	570,304	9,753,659	14,416,237	27,033,692
Disposals	-	-	(389,002)	(67,319)	(573,056)	(19,090,827)	-	(20,120,204)
Transfer	-	9,103,628	1,242,101	1,016,476	2,439	-	(11,364,644)	-
At 31 December 2019	**83,954,109**	**177,007,330**	**121,152,626**	**23,158,903**	**13,431,577**	**108,505,042**	**10,773,833**	**537,983,420**
Depreciation:								
At 1 January 2018	-	36,701,526	78,562,354	13,455,926	11,423,173	74,366,973	-	214,509,952
Charge for the year	-	4,822,888	7,425,822	1,761,290	813,353	11,016,950	-	25,840,303
Disposals	-	-	-	(26,373)	(207,244)	(2,600,078)	-	(2,833,695)
Relating to fire disposals (a)	-	(2,933,674)	(7,613,702)	(577,180)	(321,175)	-	-	(11,445,731)
At 31 December 2018	-	38,590,740	78,374,474	14,613,663	11,708,107	82,783,845	-	226,070,829
Charge for the year		5,054,034	8,397,265	1,503,634	629,906	11,885,796	-	27,470,635
Disposals		-	(388,993)	(51,492)	(572,870)	(18,660,750)	-	(19,674,105)
At 31 December 2019	-	**43,644,774**	**86,382,746**	**16,065,805**	**11,765,143**	**76,008,891**	-	**233,867,359**
Net book value:								
At 31 December 2019	**83,954,109**	**133,362,556**	**34,769,880**	**7,093,098**	**1,666,434**	**32,496,151**	**10,773,833**	**304,116,061**
At 31 December 2018	83,954,109	128,613,385	41,025,966	6,901,255	1,723,783	35,058,365	7,722,240	304,999,103

(a) During 2018, property, plant and equipment relating to Al-Qassim Cold Store with net book value of SR 4,117,306 were written off due to fire, this amount has been recorded as part of the total loss of SR 25,884,489 (note 24).

(b) Construction work in progress represents in 2019 new Qassim cold store and implementation cost of new system for distribution and sales (2018: staff accommodation and Meat Factory equipment).

(c) Buildings with net book value amounting to SR 27.7 million (31 December 2018: SR 28.8 million) are constructed on land leased from a related party under long term lease for a period of 21 years from 1 January 2019.

(d) Building with net book value amounting to SR 9.3 million (31 December 2018: SR 9.6 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.

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At 31 December 2019

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charge for the year is allocated as follows:

	2019 **SR**	*2018 SR*
Cost of revenues	**2,419,102**	2,306,661
Selling and distribution expenses (note 22)	**24,729,053**	22,870,941
General and administrative expenses (note 23)	**322,480**	662,701
Total	**27,470,635**	25,840,303

9. INTANGIBLE ASSETS

	Computer software SR
Cost:	
At 1 January 2018	21,003,284
Additions	2,113,979
Disposals	(5,493)
At 31 December 2018	23,111,770
Additions	396,838
Disposals	(4,615)
At 31 December 2019	**23,503,993**
Amortization:	
At 1 January 2018	15,389,545
Charge for the year	1,877,479
Disposals	(5,493)
At 31 December 2018	17,261,531
Charge for the year	1,241,373
Disposals	(4,615)
At 31 December 2019	**18,498,289**
Net book value:	
At 31 December 2019	**5,005,704**
At 31 December 2018	5,850,239

Amortization charge for the year is allocated as follows:

	2019 **SR**	*2018 SR*
General and administrative expenses (note 23)	**1,189,807**	1,840,686
Selling and distribution expenses (note 22)	**51,566**	36,793
	1,241,373	1,877,479

10. BANK BALANCES AND CASH

	2019 **SR**	*2018 SR*
Cash at banks	**17,914,494**	24,762,679
Cash on hand	**2,176,157**	3,583,842
	20,090,651	28,346,521

At 31 December 2019, the Company had available SR 285,000,000 (31 December 2018: SR 260,000,000) of undrawn committed borrowing facilities.

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11. TRADE RECEIVABLES

	2019	*2018*
	SR	*SR*
Trade receivables	**192,156,585**	201,122,994
Less: Allowance for expected credit losses	**(4,624,131)**	(7,453,101)
	187,532,454	193,669,893

Terms and conditions of the above financial assets:
Trade receivables are non-interest bearing and are generally on terms of 90 days. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

The movements in the allowance for expected credit losses during the year were as follows:

	2019	*2018*
	SR	*SR*
At the beginning of the year	**7,453,101**	6,413,722
Allowance for expected credit losses (note 22)	**1,033,841**	2,056,686
Write-off	**(3,862,811)**	(1,017,307)
As at the end of the year	**4,624,131**	7,453,101

As at 31 December, the ageing of unimpaired trade accounts receivable is as follows:

	Total	*< 30 days*	*< 31 to 90 days*	*91 to 180 days*	*181 to 365 days*	*> 365 days*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
31 December 2019	**192,156,585**	**138,638,910**	**45,573,938**	**1,511,910**	**871,877**	**5,559,950**
31 December 2018	201,122,994	141,711,568	47,727,575	2,929,975	1,598,854	7,155,022

Please refer to (note 26.5) for information about the credit risk exposure on the Company's trade receivables using a provision matrix.

12. OTHER CURRENT FINANCIAL ASSETS

	2019	*2018*
	SR	*SR*
Advances to suppliers and contractors	**10,362,662**	7,263,213
Employees' receivables	**1,685,415**	1,627,633
Other financial assets	**772,993**	6,523,963
	12,821,070	15,414,809
Less: Allowance for expected credit losses (note 22)	**-**	(1,657,889)
	12,821,070	13,756,920

13. PREPAYMENTS AND OTHER ASSETS

	2019	*2018*
	SR	*SR*
Prepayments	**7,733,307**	3,939,245
Other assets	**1,794,840**	63,467
	9,528,147	4,002,712

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14. RELATED PARTIES DISCLOSURES

Related parties represent associated companies, partners, directors 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 - under common control of the Parent Company-included in the statement of profit or loss and other comprehensive income are as follows:

	Sales *SR*	*Purchases* *SR*	*Expenses on behalf* *SR*
France Poultry	-	497,408,558	-
Shawaya House Company	23,636,878	- -	1,221,566
Gulf Catering Company	13,004,285	606,188	902,023
Gulf Catering Food Factory (Kako)	4,437,742	164,507	932,451
Nutrition and Diet Center Company	6,230,414	33,724	3,214,864
Burieda Trading and Refrigeration Company	-	5,087,719	494,693
Az-Zad Saudi Company	821,360	216,875	229,387
Al-Kafa'a Real State Company	- -	- -	(533,245)
Abdullah Al Ali Al Munajem Sons Company.	- -	- -	(1,535,030)
Sudair Frozen Factory	95,800	916,560	231,842
Thati Limited Company	376,955	-	144,705
Al Ameda Contracting Company	-	-	(589)

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 under common control of the Parent Company is as follows:

	2019 ***SR***	*2018* *SR*
France Poultry	**40,509,156**	60,650,508
Shawaya House Company	**3,116,483**	4,204,968
Gulf Catering Company	**1,038,949**	1,109,872
Gulf Catering Food Factory (Kako)	**849,447**	1,046,812
Nutrition and Diet Center Company	**738,476**	3,337,381
Burieda Trading and Refrigeration Company	**400,265**	-
Az-Zad Saudi Company	**17,747**	-
Al-Kafa'a Real State Company	**9,400**	-
Others	**33,694**	583,841
	46,713,617	70,933,382

b) Amounts due to related parties

The breakdown of amounts due to related parties under common control of the Parent Company is as follows:

	2019 ***SR***	*2018* *SR*
		-
Sudair Frozen Factory	**111,998**	-
Thati Limited Company	**83,174**	53,202
Al Ameda Contracting Company	**589**	-
Az-Zad Saudi Company	-	19,684
	195,761	72,886

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14. RELATED PARTIES DISCLOSURES (continued)

c) Amount due to a partner

	2019 ***SR***	*2018* *SR*
Abdullah Al Ali Al Munajem Sons Company	**107,988,225**	111,770,382

Terms and conditions of the above due to a partner:
These amounts are non-interest bearing and are generally on terms of 30 to 45 days.

The movement during the year is as follows:

	2019 ***SR***	*2018* *SR*
At the beginning of the year	**111,770,382**	111,524,997
Expenses (by) / on behalf of Abdullah Al Ali Al Munajem Sons Company	**(1,535,030)**	245,385
Rent paid (note 7) *	**845,270**	845,270
Payment	**(3,092,397)**	(845,270)
At the end of the year	**107,988,225**	111,770,382

*This represents payment towards a land lease contract with a partner. Refer to (note 7) for further details on leases.

d) 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:

	2019 ***SR***	*2018* *SR*
Short-term employee benefits	**4,836,702**	4,743,745
Employees' defined benefit liabilities	**563,178**	561,552

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

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 2019 and 2018, the amounts owed by related parties are not impaired.

15. REVENUES

	2019 ***SR***	*2018* *SR*
Non-retail - Goods transferred at a point in time	**1,543,804,151**	1,533,533,434
Retail - Goods transferred at a point in time	**867,447,964**	959,943,333
Services transferred over time	**7,808,302**	3,868,106
	2,419,060,417	2,497,344,873

	2019 ***SR***	*2018* *SR*
Timing of revenue recognition		
Goods transferred at a point in time	**2,411,252,115**	2,493,476,767
Services transferred over time	**7,808,302**	3,868,106
	2,419,060,417	2,497,344,873

15. REVENUES (continued)

15.1 RIGHT OF RETURN ASSETS AND REFUND LIABILITIES

	2019 ***SR***	*2018* *SR*
Right of return assets	**544,782**	594,551
Refund liabilities	**740,000**	723,292

16. INVENTORIES

	2019 ***SR***	*2018* *SR*
Goods for resale	**270,455,605**	235,660,252
Goods in transit	**112,733,402**	99,060,979
Other inventories	**8,625,024**	10,733,678
	391,814,031	345,454,909

During 2019, SR 2,084 million (2018: SR 2,085 million) was recognised as an expense for inventories carried at net realizable value. This is recognised in cost of revenues.

17. CAPITAL

Capital is divided into 150,000 shares (31 December 2018: 150,000 shares) of SR 1,000 each. Percentage of holding is as follows:

	2019 ***SR***	*2018* *SR*
Abdullah Al Ali Al Munajem Sons Company	**99%**	99%
Al-Kafa'a Real Estate Company	**1%**	1%
	100%	100%

18. EMPLOYEES' DEFINED BENEFITS LIABILITIES

	2019 ***SR***	*2018* *SR*
At the beginning of the year	**27,612,127**	26,813,559
Current service cost (recognized in profit and loss)	**3,673,915**	3,210,019
Interest cost (recognized in profit and loss) (note 25)	**1,216,116**	997,361
Payment	**(1,550,813)**	(1,508,684)
Actuarial loss (gain) (recognized in OCI)	**3,842,209**	(1,900,128)
At the end of the year	**34,793,554**	27,612,127

The most recent actuarial valuation was performed by an independent, qualified actuary "LUX Actuaries and Consultants" using the projected unit credit method. LUX Actuaries and Consultants are licensed from the "Institute of Actuaries", "Casualty Actuarial Society" and "Institute and Faculty of Actuaries".

18. EMPLOYEES' DEFINED BENEFITS LIABILITIES (continued)

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2019 ***SR***	*2018* *SR*
Discount rate	**3.10%**	4.55%
Duration of the Liability (in years)	**9.5**	9.5
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 (gain) reserve recognised in OCI are as follows:

	2019 ***SR***	*2018* *SR*
At the beginning of the year	**(2,341,455)**	(441,327)
Actuarial loss (gain) on the obligation	**3,842,209**	(1,900,128)
At the end of the year	**1,500,754**	(2,341,455)

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.

	2019 ***SR***	*2018* *SR*
Increase in discount rate of 1%	**(2,704,775)**	(2,038,204)
Decrease in discount rate of 1%	**3,126,020**	2,342,542
Increase in rate of salary increase of 1%	**3,129,287**	2,380,416
Decrease in rate of salary increase of 1%	**(2,757,073)**	(2,104,950)

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

	2019 ***SR***	*2018* *SR*
Within the next 12 months (next annual reporting period)	**5,090,290**	4,336,437
Between 2 and 5 years	**15,380,860**	13,957,031
Beyond 5 years	**20,746,620**	18,898,100
	41,217,770	37,191,568

19. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2019 ***SR***	*2018* *SR*
Trade payables	**180,834,012**	162,204,029
Accrued expenses	**19,239,009**	19,982,582
Advances from customers	**489,059**	501,919
Other payables	**890,334**	920,729
	201,452,414	183,609,259

Terms and conditions of the above financial liabilities:

* Trade payables and other payables are non-interest bearing and have a term of three months.

20. SHORT-TERM LOANS

	Effective Interest rate %	*Maturity*	***2019* SR**	2018 SR
				-
SR 25 million	*SIBOR + Fixed rate*	*Less than 1 month*	**25,000,000**	-
SR 23 million	*SIBOR + Fixed rate*	*Less than 1 month*	**23,000,000**	-
SR 87 million	*SIBOR + Fixed rate*	*Less than 1 month*	**87,000,000**	-
SR 30 million	*SIBOR + Fixed rate*	*Less than 1 month*	**30,000,000**	-
SR 15 million	*SIBOR + Fixed rate*	*Less than 1 month*	-	15,000,000
SR 62 million	*SIBOR + Fixed rate*	*Less than 1 month*	-	62,000,000
SR 17 million	*SIBOR + Fixed rate*	*Less than 1 month*	-	17,000,000
SR 17 million	*SIBOR + Fixed rate*	*Less than 1 month*	-	17,000,000
SR 30 million	*SIBOR + Fixed rate*	*Less than 1 month*	-	30,000,000
SR 19 million	*SIBOR + Fixed rate*	*Less than 1 month*	-	19,000,000
			165,000,000	160,000,000

The Company has obtained Murabaha and Tawaruq loans from local banks for financing the Company's working capital requirements. The loans are secured by corporate guarantee from the Parent Company and carry borrowing costs at commercial rates.

21. ZAKAT PAYABLE

Abdullah Al Ali Almunajem Sons Company (the "Parent Company") and the Company have filed their zakat declaration on a standalone basis until the year ended 31 December 2016. The Parent Company obtained an approval from the General Authority of Zakat and Tax (the GAZT) to submit its zakat returns on a combined basis, including the Company and therefore, from 2017 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 2017 through 2019 has already been submitted with GAZT. The Parent Company has also obtained the zakat certificate until 31 December 2019. The calculation of the zakat liability is done by calculating Zakat due on the standalone basis for each entity of the group and then prorating the amount due to each company based on the combined Zakat calculation of the group.

In view of the approval of IPO process (note 1) and change on legal status of the Company subsequent to the year end (note 32), 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 borne and settled by the Parent Company, therefore, no provision will be recorded in these financial statements in relation to any additional zakat exposure relating to prior years.

Zakat expense

The zakat charge for the year comprise of the following:

	***2019* SR**	*2018 SR*
Current year provision *	**2,780,142**	5,441,206
Total provided during the year	**2,780,142**	5,441,206

Movement in the zakat provision:

	***2019* SR**	*2018 SR*
At the beginning of the year	**5,441,206**	6,584,138
Current year provision	**2,780,142**	5,441,206
Payment during the year	**(5,441,206)**	(6,584,138)
At the end of the year	**2,780,142**	5,441,206

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21. ZAKAT PAYABLE (continued)

Status of assessments

Almunajem Cold Stores Company – Standalone zakat filing from 2008 to 2016
Zakat returns have been filed with the General Authority of Zakat and Tax (the GAZT) for all years from 2008 to 2016. However, final assessments have not yet been raised by the GAZT. For any assessment that may arise in the future related to the years from 2008 until 2020, will be borne the Parent Company.

Almunajem Cold Stores Company – Combined zakat filing from 2017 to 2019
Combined Zakat returns have been filed by the Parent Company, including the Company, with the General Authority of Zakat and Tax (the GAZT) for the years from 2017 to 2019. However, final assessments have not yet been raised by the GAZT.

22. SELLING AND DISTRIBUTION EXPENSES

	2019 SR	*2018 SR*
Employee costs	**92,370,610**	93,406,713
Marketing expenses	**25,997,072**	23,110,569
Depreciation (note 8)	**24,729,053**	22,870,941
Utilities	**12,846,677**	14,647,188
Sales commission	**12,129,892**	12,491,234
Loading and unloading	**11,563,389**	10,609,394
Car running expenses	**8,505,562**	8,225,973
Insurance	**3,549,478**	3,014,631
Port detention/electric charges	**2,477,891**	1,072,141
Cold stores maintenance	**2,142,457**	2,651,196
Business travel expenses	**1,417,293**	1,520,271
Rental expenses (note 7)	**1,257,537**	4,702,051
Allowance for ECL on trade receivables (note 11)	**1,033,841**	2,056,686
Stationaries and printings	**731,375**	975,500
Amortization (note 9)	**51,566**	36,793
Allowance for ECL on other current financial assets (note 12)	**-**	1,657,889
Other expenses	**5,165,301**	4,192,011
	205,968,994	207,241,181

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2019 SR	*2018 SR*
Employee costs	**13,925,796**	12,670,377
Amortization (note 9)	**1,189,807**	1,840,686
Bank charges	**1,099,670**	1,202,059
Utilities	**591,600**	655,383
Depreciation (note 8)	**322,480**	662,701
Professional fess	**285,041**	408,264
Repair and maintenance	**182,279**	175,914
Transportation and travelling	**164,379**	180,652
Other expenses	**1,489,119**	2,456,795
	19,250,171	20,252,831

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24. OTHER INCOME / (LOSS), NET

	2019 SR	*2018 SR*
Insurance claim (a)	**12,404,502**	-
Gain on disposal of property, plant and equipment	**3,657,731**	604,118
Other income	**1,386,713**	231,598
Gain from a contingent asset (see note (b) below), net	-	2,436,539
Fire loss (c)	-	(25,884,489)
	17,448,946	(22,612,234)

a) During 2019, the Company claimed and collected an amount of SR 12.4 million which is recorded in other income.

b) During 2018, the Company received an amount of SR 4.2 million which is related to a lawsuit raised against one of the suppliers, the court order was issued on 17 October 2018 in the favor of the Company. Amount paid to the legal counselor regarding this case is SR 1.8 million.

c) During 2018, the Company incurred a net loss of SR 25.9 million relating to a cold store fire located in Al Qassim This included loss of property, plant and equipment and inventories of SR 4,117,306 and SR 21,767,183 respectively

25. FINANCE COSTS

	2019 SR	*2018 SR*
Interest on bank borrowings	**7,338,943**	5,849,806
Interest on employees' defined benefit liabilities (note 18)	**1,216,116**	997,361
Interest on lease liabilities (note 7)	**975,309**	-
	9,530,368	6,847,167

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

26.1 FINANCIAL ASSETS

	2019 SR	*2018 SR*
Financial assets at amortised cost:		
Trade receivables	**187,532,454**	193,669,893
Due from related parties	**46,713,617**	70,933,382
Other current financial assets	**12,821,070**	13,756,920
	247,067,141	278,360,195
Bank balances and cash	**20,090,651**	28,346,521
Total financial assets	**267,157,792**	306,706,716

26.2 FINANCIAL LIABILITIES

	Effective Interest rate	***Maturity***	***2019 SR***	*2018 SR*
Current interest-bearing liabilities				
Trade payables and other payables	Interest free	Less than 1 year	**182,213,405**	163,626,677
Short term loans	Note 20	Less than 1 month	**165,000,000**	160,000,000
Due to a partner (see note (a) below)	Interest free	Less than 1 year	**107,988,225**	111,770,382
Lease liabilities	2.39 %	Less than 1 year	**7,772,498**	-
Due to related parties	Interest free	Less than 1 year	**195,761**	72,886
			463,169,889	435,469,945
Non-current interest-bearing liabilities				
Lease liabilities	2.39 %		**38,684,294**	-

a) SR 107,586,101 has been transferred from this balance to increase in capital. The Company has increased its capital from SR 150 million to SR 600 million. Also, the Company has been converted to a Closed Joint Stock Company, and the approval from the Ministry of Commerce on 17 February 2021.

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26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

26.3 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2019 SR	*Cash flows SR*	*New lease SR*	***31 December 2019 SR***
Short term loans	160,000,000	5,000,000	-	**165,000,000**
Non-current lease liabilities	-	-	38,684,294	**38,684,294**
Current lease liabilities	-	-	7,772,498	**7,772,498**
Total liabilities from financing activities	160,000,000	5,000,000	46,456,792	**211,456,792**

	1 January 2018 SR	*Cash flows SR*	*New lease SR*	*31 December 2018 SR*
Short term loans	161,000,000	(1,000,000)	-	160,000,000
Total liabilities from financing activities	161,000,000	(1,000,000)	-	160,000,000

26.4 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. Its financial liabilities consist of lease liabilities, trade payables, short term loans, due to a partner and due to related parties.

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 above financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

26.5 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company’s principal financial liabilities mainly comprise of lease liabilities, accounts payable and other liabilities and due to a partner, due to related parties and short-term loans. The Company’s financial assets include of bank balances and cash, account receivables and other 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.

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

26.5 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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:

	45 basis points increase SR	*45 basis points decrease SR*
2019	**(8,763)**	**8,763**
2018	(20,350)	20,350

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 2019 is SR 32,664,526 (2018: SR 37,324,362)

Foreign currency sensitivity
The following tables demonstrate the sensitivity to a reasonably possible change in SAR 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 SR	*5% decrease SR*
2019	**(1,633,226)**	**1,633,226**
2018	(1,866,218)	1,866,218

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. ECL impact on other current financial assets is Nil (2018: SR 1,657,889).

Trade receivables
The average credit period granted is 90 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. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. 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.

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

26.5 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

31 December 2019	***Not past due SR***	***Trade receivable – days past due*** ***<90 SR***	***90-180 SR***	***181-365 SR***	***>365 SR***	***Total SR***
Expected credit loss rate %	0.20%	0.66%	22.78%	49.69%	73.50%	
Gross carrying amount	140,018,017	45,352,981	1,465,735	865,098	4,454,754	**192,156,585**
Simplified ECL	(285,717)	(300,364)	(333,901)	(429,904)	(3,274,245)	**(4,624,131)**
	139,732,300	45,052,617	1,131,834	435,194	1,180,509	**187,532,454**

31 December 2018	*Not past due SR*	*Trade receivable – days past due* *<90 SR*	*90-180 SR*	*181-365 SR*	*>365 SR*	*Total SR*
Expected credit loss rate %	0.20%	0.68%	25.24%	52.85%	73.50%	
Gross carrying amount	141,711,568	47,727,575	2,929,975	1,598,854	7,155,022	201,122,994
Simplified ECL	(286,800)	(322,939)	(739,446)	(844,976)	(5,258,940)	(7,453,101)
	141,424,768	47,404,636	2,190,529	753,878	1,896,082	193,669,893

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 2019	***Within 3 months SR***	***3 months to 1 year SR***	***1 to 5 years SR***	***More than 5 years SR***	***Total SR***
Short term loans	165,000,000	-	-	-	165,000,000
Trade payables and other payables	182,213,405	-	-	-	182,213,405
Due to a partner	107,988,225	-	-	-	107,988,225
Lease liabilities	3,730,555	3,365,935	15,564,895	34,510,000	57,171,385
Due to related parties	195,761	-	-	-	195,761
	459,127,946	**3,365,935**	**15,564,895**	**34,510,000**	**512,568,776**

31 December 2018	***Within 3 months SR***	***3 months to 1 year SR***	***1 to 5 years SR***	***More than 5 years SR***	***Total SR***
Trade payables and other payables	163,626,677	-	-	-	163,626,677
Short term loans	160,000,000	-	-	-	160,000,000
Due to a partner	111,770,382	-	-	-	111,770,382
Due to related parties	72,886	-	-	-	72,886
	435,469,945	**-**	**-**	**-**	**435,469,945**

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

27. EARNING PER SHARE (EPS)

EPS is calculated by dividing the profit for the year attributable to equity holders of the Company by the number of shares outstanding at the year-end.

Basic and diluted earnings per share attributable to ordinary equity holders of the Parent Company for the year ended 31 December 2019 amounted to SR 727.76 per share (31 December 2018: SR 996.50 per share). The profit for the year ended 31 December 2019 amounted to SR 109,164,680 (31 December 2018: SR 149,474,627 and the number of ordinary shares for basic and diluted EPS as at 31 December 2019 are 150,000 (31 December 2018: 150,000).

There has been no item of dilution affecting the number of ordinary shares.

28. DIVIDENDS

The Senior Management in their meeting held on 23 Sha'aban 1441 H (corresponding to 16 April 2019) proposed dividends declaration of SR 120,000,000 – SR 800 per share (31 December 2018: SR 206,087,151 – SR 1,373.91 per share).

29. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company informally 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, amounts due to a partner, employees' defined benefit liabilities, zakat payable, less cash and bank balances.

	2019 ***SR***	*2018* *SR*
Short term loans	**165,000,000**	160,000,000
Due to a partner	**107,988,225**	111,770,382
Lease liability	**46,456,792**	-
Employees' defined benefits liabilities	**34,793,554**	27,612,127
Zakat payable	**2,780,142**	5,441,206
Less: Bank balances and cash	**(20,090,651)**	(28,346,521)
	336,928,062	276,477,194
Equity	**463,701,549**	478,379,078
Capital and net debt	**800,629,611**	754,856,272
Gearing ratio	**42%**	37%

30. SEGMENT INFORMATION

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

31 December 2019	***Central region*** ***SR***	***Eastern region*** ***SR***	***Western region*** ***SR***	***Total*** ***SR***
Revenues	1,041,860,774	483,012,281	894,187,362	2,419,060,417
Cost of revenues	(895,595,666)	(416,648,262)	(772,165,612)	(2,084,409,540)
Asset depreciation and amortization	(8,891,947)	(5,657,828)	(14,162,233)	(28,712,008)
Depreciation of right-of-use assets	(3,222,443)	(579,345)	(1,603,680)	(5,405,468)
Segment profit	**91,825,022**	**7,930,470**	**12,189,330**	**111,944,822**
Total assets	479,212,283	202,375,074	341,521,080	1,023,108,437
Total liabilities	400,565,792	54,745,078	104,096,018	559,406,888

30. SEGMENT INFORMATION (continued)

31 December 2018	*Central region SR*	*Eastern region SR*	*Western region SR*	*Total SR*
Revenues	1,107,763,883	482,151,718	907,429,272	2,497,344,873
Cost of revenues	(919,592,846)	(400,424,103)	(765,458,678)	(2,085,475,627)
Asset depreciation and amortization	(9,355,427)	(4,608,570)	(13,753,785)	(27,717,782)
Segment profit	**95,459,920**	**25,832,977**	**33,622,936**	**154,915,833**
Total assets	441,271,020	185,968,370	340,368,840	967,608,230
Total liabilities	407,428,219	27,749,960	54,050,973	489,229,152

The top 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. Also, the Company's financing (including finance costs, salaries and benefits of CEO, directors, finance and IT departments, legal and HR departments, administrative and support department, other expenses and other income) and Zakat are managed on a Company basis and are not allocated to operating segments.

31. CONTINGENT LIABILITIES

The Company has given letters of guarantee, limited to SR 2,038,842 (31 December 2018: SR 1,978,842), in respect of contract performance, and letters of credit amounting to SR 53,238,072 (31 December 2018: SR 69,467,934).

32. SUBSEQUENT EVENTS DISCLOSURE

A- On 11 October 2020 the partners have decided to go for an IPO.

Also, the partners resolved in their meeting dated 2 November 2020 the following:

I. To convert the Company from Limited Liability Company to a Closed Joint Stock Company. Legal formalities are completed subsequent to year-end on 17 February 2021.
II. To increase the capital from an amount of SR 150,000,000 to an amount of SR 600,000.000 by transferring an amount of SR 107,586,101 from due to a partner, 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.
III. To change the name of the Company from AlMunajem Cold Store Company to AlMunajem Foods Company.

B- 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 resulted in a slowdown of economic activities and shutdowns 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 period. 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 partners and other factors.

As far and as of the date of preparation of the financial statements for the year ended 31 December 2019, the Company's operations have not incurred significant 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.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2019 were authorised for issuance by the partners on 24 Rajab 1442 H (corresponding to 8 March 2021).

ALMUNAJEM COLD STORES COMPANY
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

ALMUNAJEM COLD STORES COMPANY
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT
For the year ended 31 December 2020

EY
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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE PARTNERS OF ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

Opinion

We have audited the financial statements of Almunajem Cold Stores Company - (A Limited Liability Company) (the "Company"), which comprise the statement of financial position as at 31 December 2020, 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 2020, 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 Certified Public 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.

Responsibilities of Management 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 Certified Public Accountants and the provisions of Companies' Law and Company's Articles of Association, 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.

The management is 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 scepticism 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.

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE PARTNERS OF ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company) - continued

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

- 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 the management 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.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 8 Ramadan 1442 H
(20 April 2021)

ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	*2020* *SR*	*2019* *SR*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	**281,033,658**	304,116,061
Intangible assets	9	**4,265,572**	5,005,704
Right-of-use assets	7	**46,945,925**	44,941,920
TOTAL NON-CURRENT ASSETS		**332,245,155**	354,063,685
CURRENT ASSETS			
Inventories	16	**419,992,579**	391,814,031
Right of return assets	15.1	**976,777**	544,782
Trade receivables	11	**200,764,124**	187,532,454
Due from related parties	14	**81,527,168**	46,713,617
Prepayments and other assets	13	**13,967,128**	19,890,809
Other current financial assets	12	**469,645**	2,458,408
Bank balances and cash	10	**19,906,229**	20,090,651
TOTAL CURRENT ASSETS		**737,603,650**	669,044,752
TOTAL ASSETS		**1,069,848,805**	1,023,108,437
PARTNERS' EQUITY AND LIABILITIES			
PARTNERS' EQUITY			
Capital	17	**150,000,000**	150,000,000
Proposed increase in capital	32	**450,000,000**	-
Statutory reserve		**22,967,876**	75,000,000
Actuarial valuation reserve	18	**(3,739,413)**	(1,500,754)
Retained earnings		**21,222,480**	240,202,303
TOTAL PARTNERS' EQUITY		**640,450,943**	463,701,549
NON-CURRENT LIABILITIES			
Lease liability – noncurrent portion	7	**41,936,474**	38,684,294
Employees' defined benefit liabilities	18	**39,668,205**	34,793,554
TOTAL NON-CURRENT LIABILITIES		**81,604,679**	73,477,848
CURRENT LIABILITIES			
Trade and other payables	19	**151,949,901**	182,213,405
Accrued expenses		**29,098,804**	19,053,543
Due to related parties	14	**146,950**	195,761
Due to a partner	14	**40,364**	107,988,225
Refund liabilities	15.1	**1,150,025**	740,000
Lease liability – current portion	7	**6,924,936**	7,772,498
Short term loans	20	**128,000,000**	165,000,000
VAT payable		**25,196,294**	185,466
Zakat payable	21	**5,285,909**	2,780,142
TOTAL CURRENT LIABILITIES		**347,793,183**	485,929,040
TOTAL LIABILITIES		**429,397,862**	559,406,888
TOTAL LIABILITIES AND PARTNERS' EQUITY		**1,069,848,805**	1,023,108,437

The attached notes 1 to 35 form part of these financial statements.

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	***2020*** **SR**	*2019* SR
Revenues	15	**2,538,453,897**	2,419,060,417
Cost of revenues		**(2,054,326,824)**	(2,084,409,540)
GROSS PROFIT		**484,127,073**	334,650,877
Selling and distribution expenses	22	**(225,860,429)**	(203,491,103)
General and administrative expenses	23	**(23,006,984)**	(21,728,062)
Depreciation of right-of-use assets	7	**(7,812,516)**	(5,405,468)
		(256,679,929)	(230,624,633)
OPERATING PROFIT		**227,447,144**	104,026,244
Other income, net	24	**14,337,687**	17,448,946
Finance costs	25	**(4,871,195)**	(9,530,368)
PROFIT BEFORE ZAKAT FOR THE YEAR		**236,913,636**	111,944,822
Zakat	20	**(7,234,875)**	(2,780,142)
PROFIT FOR THE YEAR		**229,678,761**	109,164,680
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of employees' defined benefit liabilities	18	**(2,238,659)**	(3,842,209)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**227,440,102**	105,322,471
Earnings per share			
Earnings per share attributable to ordinary equity holders of the Company (basic and diluted)	27	**3.83**	1.82

The attached notes 1 to 35 form part of these financial statements.

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Capital *SR*	*Proposed increase in capital* *SR*	*Statutory reserve* *SR*	*Actuarial valuation reserve (note 18)* *SR*	*Retained earnings* *SR*	*Total* *SR*
As at 1 January 2019	150,000,000	-	75,000,000	2,341,455	251,037,623	478,379,078
Profit for the year	-	-	-	-	109,164,680	109,164,680
Other comprehensive loss	-	-	-	(3,842,209)	-	(3,842,209)
Total comprehensive income	-	-	-	(3,842,209)	109,164,680	105,322,471
Dividends (note 28)	-	-	-	-	(120,000,000)	(120,000,000)
As at 31 December 2019	150,000,000	-	75,000,000	(1,500,754)	240,202,303	463,701,549
Profit for the year	-	-	-	-	229,678,761	229,678,761
Other comprehensive loss	-	-	-	(2,238,659)	-	(2,238,659)
Total comprehensive income	-	-	-	(2,238,659)	229,678,761	227,440,102
Dividends (note 28)	-	-	-	-	(158,276,809)	(158,276,809)
Transfer from due to partner account to proposed increase in capital (Note 14 and 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**

The attached notes 1 to 35 form part of these financial statements.

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	*2020* *SR*	*2019* *SR*
OPERATING ACTIVITIES			
Profit before zakat		**236,913,636**	111,944,822
Non-cash adjustments to reconcile profit before zakat to net cash flows from operating activities			
Amortization of right-of-use assets	7	**7,812,516**	5,405,468
Depreciation	8	**27,826,381**	27,470,635
Amortization of intangible assets	9	**1,349,979**	1,241,373
Interest on lease liabilities	25	**1,131,884**	975,309
Interest on employees' defined benefit liabilities	25	**1,038,923**	1,216,116
Interest charged on short term loans	25	**2,700,388**	7,338,943
Allowance for expected credit losses on trade receivables	11	**2,182,278**	1,033,841
Gain on disposal of property, plant and equipment	24	**(3,120,355)**	(3,657,731)
Employees' defined benefit liabilities	18	**4,115,873**	3,673,915
		281,951,503	156,642,691
Working capital adjustments:			
Decrease (increase) in trade receivable		**(15,413,948)**	5,103,598
Decrease in other current financial assets		**1,988,763**	4,035,299
Decrease (increase) in prepayments and other assets		**5,923,681**	(8,624,884)
Increase in inventories		**(28,178,548)**	(46,359,122)
(Increase) decrease in right of return assets		**(431,995)**	49,769
(Decrease) increase in trade and other payables		**(29,760,546)**	18,918,037
Increase (decrease) in accrued expenses		**10,045,261**	(1,110,932)
Increase (decrease) in VAT payable		**25,010,828**	(155,458)
Increase in due to related parties		**(48,811)**	122,875
(Decrease) increase in due from related parties		**(34,813,551)**	24,219,765
		216,272,637	152,841,638
Payment of interest portion of lease liabilities		**(400,233)**	(221,689)
Finance costs paid		**(2,793,321)**	(7,130,727)
Employees' defined benefit liabilities paid	18	**(2,518,804)**	(1,550,813)
Zakat paid	21	**(4,729,108)**	(5,441,206)
Net cash from operating activities		**205,831,171**	138,497,203
INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment	8	**(18,895,703)**	(27,033,692)
Proceeds from disposal of property, plant and equipment		**17,272,080**	4,103,830
Payments for purchase of intangible assets	9	**(609,847)**	(396,838)
Net cash used in investing activities		**(2,233,470)**	(23,326,700)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities		**(8,143,554)**	(4,644,216)
Amounts received from a partner		**1,988,880**	845,270
Payments to a partner		**(2,350,640)**	(4,627,427)
Proceeds from short term loans		**4,781,000,000**	5,240,000,000
Repayments of short-term loans		**(4,818,000,000)**	(5,235,000,000)
Dividends paid	28	**(158,276,809)**	(120,000,000)
Net cash used in financing activities		**(203,782,123)**	(123,426,373)
Decrease in bank balances and cash		**(184,422)**	(8,255,870)
Bank balances and cash at the beginning of the year	10	**20,090,651**	28,346,521
Bank balances and cash at the end of the year	10	**19,906,229**	20,090,651
Non-cash transactions			
Transfer from due to partner account to proposed increase in capital		**107,586,101**	-
Right of use assets		**9,816,521**	38,719,271
Lease liability		**9,816,521**	38,719,271

The attached notes 1 to 35 form part of these financial statements.

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2020

1. ORGANISATION AND ACTIVITIES

Almunajem Cold Stores Company (the "Company") is a limited liability company registered in Riyadh, Kingdom of Saudi Arabia (KSA) under commercial registration numbered 1010231822, dated 7 Rabie Thani 1428H (corresponding to 24 April 2007). The registered address of the Company is located at Riyadh, P O Box 1544, Riyadh 11451, KSA.

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

On 11 October 2020 the 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 has been changed from "Almunajem Cold Stores Company" to "Almunajem Foods Company" (A Saudi Closed 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 meat, bottled, food stuff, through its following branches:

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

2. BASIS OF PREPARATION

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 Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

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.

Basis of measurement
These financial statements have been prepared under the historical cost basis except for the employees' defined benefit liabilities, which has been actuarially valued as explained in the accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. 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.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the financial statements of the Company but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Amendments to IFRS 16 Covid-19 Related Rent Concessions
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 applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

All other assets are classified as non-current.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
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 partner, 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 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 transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of 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.*

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 fixtures	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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases
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.

i) Right-of-use 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

ii) Lease liabilities
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.

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.

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Bank balances and cash
Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of 30 to 45 days or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Financial instruments* (continued)**

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

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.

ii) Financial liabilities

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, other payables, loans and borrowings, lease liabilities, due to a partner and due to related parties. At 31 December 2020, all the Company's financial liabilities are classified at amortised cost.

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 and due to a partner

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

Loans and borrowings

Loans and borrowings are measured at amortized cost and comprise of short-term loans.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 that have been shipped by a supplier but have not yet been received by the buyer. The Company recognizes goods-in-transit when the shipment reached the destination (which is generally Saudi Arabian ports) in accordance with the terms of arrangement with suppliers and all the related costs of shipment (cost, insurance and freight) is borne by suppliers. Goods-in-transit are recorded at landed cost.

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 asset's 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat
Zakat is calculated and provided for by Abdullah Al Ali Al Munajem Sons Company (the "Parent") 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 is charged to its statement of profit or loss and other comprehensive income in Zakat based on allocation by the Parent Company. For any assessment that may arise in the future related to the years from 2008 until 2020, will be settled by the Parent Company.

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 Partners when approving the distribution. According to the Saudi Arabian Regulations for Companies, dividends are approved upon approval by the Partners. The corresponding amount is directly recognized in equity.

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

Post-employment obligation
Defined benefit plans:
The Company primarily has end of service benefits which qualify as defined benefit plans.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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

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

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.

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At 31 December 2020

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

Revenue recognition - Estimating variable consideration for returns and volume rebates (continued)
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.

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

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 the amendments will have on 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.

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.

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

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.

7. LEASES

The Company has lease contracts for buildings, 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.

As at 31 December 2020, the Company had a short-term lease leased assets amounting to SR 1,476,685 (2019: SR 4,284,853).

The Company also has certain leases of motor vehicles and buildings with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases. There are two lease contracts that include extension option which are further discussed below.

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At 31 December 2020

7. LEASES (continued)

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 2019	288,300	32,185,238	6,245,733	**38,719,271**
Additions	4,986,934	-	6,641,183	**11,628,117**
Depreciation	(280,435)	(1,531,631)	(3,593,402)	**(5,405,468)**
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)**
At 31 December 2020	7,808,666	29,397,076	9,740,183	**46,945,925**

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

	2020 SR	*2019 SR*
As at 1 January	**46,456,792**	38,719,271
Additions	**9,816,521**	11,628,117
Accretion of interest (note 25)	**1,131,884**	975,309
Payments	**(8,543,787)**	(4,865,905)
As at 31 December	**48,861,410**	46,456,792
Current	**6,924,936**	7,772,498
Non-Current	**41,936,474**	38,684,294

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

The following are the amounts recognised in profit or loss:

	2020 SR	*2019 SR*
Depreciation expense of right-of-use assets	**7,812,516**	5,405,468
Interest expense on lease liabilities (note 25)	**1,131,884**	975,309
Expense relating to short-term leases (note 22)	**1,476,685**	4,284,853
Total amount recognised in profit or loss	**10,421,085**	10,665,630

The Company had total cash outflows for leases of SR 8,543,787 in 2020 (2019: SR 4,865,905). The Company also had non-cash additions to right-of-use assets and lease liabilities of SR 9,816,521 in 2020 (2019: SR 50,347,388).

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 (see Note 5).

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 7,102,585 (2019: SR 7,808,302).

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***
Cost:								
At 1 January 2019	83,954,109	167,204,125	119,400,440	21,514,918	13,436,504	117,842,210	7,722,240	**531,074,546**
Additions	-	699,577	899,087	694,828	570,304	9,753,659	14,416,237	**27,033,692**
Disposals	-	-	(389,002)	(67,319)	(573,056)	(19,090,827)	-	**(20,120,204)**
Transfer	-	9,103,628	1,242,101	1,016,476	2,439	-	(11,364,644)	**-**
At 31 December 2019	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 (Note 14)	(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**
Depreciation:								
At 1 January 2019	-	38,590,740	78,374,474	14,613,663	11,712,721	82,783,845	-	**226,075,443**
Charge for the year	-	5,054,034	8,397,265	1,503,634	629,906	11,885,796	-	**27,470,635**
Disposals	-	-	(388,993)	(51,492)	(572,870)	(18,660,750)	-	**(19,674,105)**
At 31 December 2019	-	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**
Net book value:								
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**
At 31 December 2019	83,954,109	133,362,556	34,769,880	7,093,098	1,666,434	32,496,151	10,773,833	304,116,061

(a) Construction work in progress represents in 2020 parts of new sales trucks (2019: new Qassim cold store and implementation cost of new system for distribution and sales).
(b) Buildings with net book value amounting to SR 26.8 Million (31 December 2019: SR 27.7 million) are constructed on land leased from a related party under long term lease for a period of 20 years from 1 January 2020.
(c) Building with net book value amounting to SR 9.02 million (31 December 2019: SR 9.3 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.
(d) During 2020, the Company sold some property, plant and equipment with net book value of SR 14,053,834, with a gain of SR Nil (2019: SR Nil), please refer to Note 14.

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8. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charge for the year is allocated as follows:

	2020	*2019*
	SR	*SR*
Cost of revenues	**2,447,291**	2,419,102
Selling and distribution expenses (note 22)	**24,965,920**	24,729,053
General and administrative expenses (note 23)	**413,170**	322,480
	27,826,381	27,470,635

9. INTANGIBLE ASSETS

	Computer software
	SR
Cost:	
At 1 January 2019	23,111,770
Additions	396,838
Disposals	(4,615)
At 31 December 2019	23,503,993
Additions	609,847
At 31 December 2020	**24,113,840**
Amortization:	
At 1 January 2019	17,261,531
Charge for the year	1,241,373
Disposals	(4,615)
At 31 December 2019	18,498,289
Charge for the year	1,349,979
At 31 December 2020	**19,848,268**
Net book value:	
At 31 December 2020	**4,265,572**
At 31 December 2019	5,005,704

Amortization charge for the year is allocated as follows:

	2020	*2019*
	SR	*SR*
General and administrative expenses (note 23)	**1,281,788**	1,189,807
Selling and distribution expenses (note 22)	**68,191**	51,566
	1,349,979	1,241,373

10. BANK BALANCES AND CASH

	2020	*2019*
	SR	*SR*
Cash at banks	**17,571,434**	17,914,494
Cash on hand	**2,334,795**	2,176,157
	19,906,229	20,090,651

At 31 December 2020, the Company had available SR 492,000,000 (31 December 2019: SR 355,000,000) of undrawn committed borrowing facilities.

11. TRADE RECEIVABLES

	2020 SR	2019 SR
Trade receivables	**207,570,533**	192,156,585
Less: Allowance for expected credit losses	**(6,806,409)**	(4,624,131)
	200,764,124	187,532,454

Terms and conditions of the above financial assets:
Trade receivables are non-interest bearing and are generally on terms of 90 days. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

The movements in the allowance for expected credit losses during the year were as follows:

	2020 SR	2019 SR
At the beginning of the year	**4,624,131**	7,453,101
Allowance for expected credit losses (note 22)	**2,182,278**	1,033,841
Write-off	**-**	(3,862,811)
As at the end of the year	**6,806,409**	4,624,131

Please refer to (note 26.5) for information about the credit risk exposure on the Company's trade receivables using a provision matrix.

12. OTHER CURRENT FINANCIAL ASSETS

	2020 SR	2019 SR
Employees' receivables	**393,366**	1,685,415
Other financial assets	**76,279**	772,993
	469,645	2,458,408

13. PREPAYMENTS AND OTHER ASSETS

	2020 SR	2019 SR
Prepayments	**7,905,653**	7,733,307
Advances to suppliers and contractors	**4,642,664**	10,362,662
Other assets	**1,418,811**	1,794,840
	13,967,128	19,890,809

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14. RELATED PARTIES DISCLOSURES

Related parties represent associated companies, Partners, directors 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 - under common control of the Parent Company-included in the statement of profit or loss and other comprehensive income are as follows:

2020	***Sales*** ***SR***	***Purchases*** ***SR***	***Expenses*** ***SR***	***PPE disposal*** ***SR***
France Poultry	-	468,743,760	-	-
Shawaya House Company	31,490,110	156,111	632,136	-
Gulf Catering Company	10,033,253	960,937	1,899,160	-
Gulf Catering Food Factory (Kako)	1,799,535	172,053	915,509	-
Nutrition and Diet Center Company	5,291,643	24,590	3,678,412	-
Az-Zad Saudi Company	974,061	193,881	101,352	-
Sudair Frozen Factory	974,798	2,395,632	85,964	-
Thati Limited Company	1,542,210	-	75,999	-
Burieda Trading and Refrigeration Company	-	2,846,392	464,342	-
Al-Kafa'a Real State Company	-	-	1,155,755	14,053,834
Abdullah Al Ali Al Munajem Sons Company.	-	-	402,124	-
Al Ameda Contracting Company	-	-	5,000	-

2019	*Sales* *SR*	*Purchases* *SR*	*Expenses* *SR*
France Poultry	-	497,408,558	-
Shawaya House Company	23,636,878	-	1,221,566
Gulf Catering Company	13,004,285	606,188	902,023
Gulf Catering Food Factory (Kako)	4,437,742	164,507	932,451
Nutrition and Diet Center Company	6,230,414	33,724	3,214,864
Burieda Trading and Refrigeration Company	-	5,087,719	494,693
Az-Zad Saudi Company	821,360	216,875	229,387
Al-Kafa'a Real State Company	-	-	533,245
Abdullah Al Ali Al Munajem Sons Company.	-	-	1,535,030
Sudair Frozen Factory	95,800	916,560	231,842
Thati Limited Company	376,955	-	144,705
Al Ameda Contracting Company	-	-	589

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 under common control of the Parent Company is as follows:

	2020 ***SR***	*2019* *SR*
France Poultry	**71,043,712**	40,509,156
Shawaya House Company	**7,150,774**	3,116,483
Nutrition and Diet Center Company	**1,025,235**	738,476
Gulf Catering Company	**720,017**	1,038,949
Gulf Catering Food Factory (Kako)	**542,887**	849,447
Thati Limited Company	**473,886**	-
Burieda Trading and Refrigeration Company	**418,942**	400,265
Az-Zad Saudi Company	**151,715**	17,747
Al-Kafa'a Real State Company	**-**	9,400
Others	-	33,694
	81,527,168	46,713,617

14. RELATED PARTIES DISCLOSURES (continued)

a) Amounts due from related parties (continued)

The above balances are unsecured, interest free and have no fixed repayment. The management estimate the allowance on due from related party balance at the reporting date at an amount equal to lifetime ECL. No receivable balance 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, the 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 under common control of the Parent Company is as follows:

	2020 SR	*2019 SR*
Sudair Frozen Factory	**146,950**	111,998
Thati Limited Company	-	83,174
Al Ameda Contracting Company	-	589
	146,950	195,761

c) Amount due to a partner

	2020 SR	*2019 SR*
Abdullah Al Ali Al Munajem Sons Company	**40,364**	107,988,225

The Company uses a bank account under the name of the parent company. The Company is the beneficiary of this bank account. The balance as at 31 December 2020 is SR 1,003 (2019: SR 415,520).

Terms and conditions of the above due to a partner:

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

The movement during the year is as follows:

	2020 SR	*2019 SR*
At the beginning of the year	**107,988,225**	111,770,382
Rent paid (note 7) *	**1,988,880**	845,270
Expenses on behalf of Abdullah Al Ali Al Munajem Sons Company	**(361,760)**	(1,535,030)
Payments	**(1,988,880)**	(3,092,397)
Transfer to proposed increase in capital (Note 32)	**(107,586,101)**	-
At the end of the year	**40,364**	107,988,225

* This represents payment towards a land lease contract with a partner. Refer to (note 7) for further details on leases.

d) 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:

	2020 SR	*2019 SR*
Short-term employee benefits	**4,800,449**	4,836,702
Employees' defined benefit liabilities	**412,631**	563,178

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

14. RELATED PARTIES DISCLOSURES (continued)

e) Key management compensation (continued)

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 2020 and 2019, the amounts owed by related parties are not impaired.

15. REVENUES

	2020 SR	*2019 SR*
Non-retail - goods transferred at a point in time	**1,483,240,508**	1,543,804,151
Retail - goods transferred at a point in time	**1,048,110,804**	867,447,964
Services transferred over time	**7,102,585**	7,808,302
	2,538,453,897	2,419,060,417

	2020 SR	*2019 SR*
Timing of revenue recognition		
Goods transferred at a point in time	**2,531,351,312**	2,411,252,115
Services transferred over time	**7,102,585**	7,808,302
	2,538,453,897	2,419,060,417

15.1 RIGHT OF RETURN ASSETS AND REFUND LIABILITIES

	2020 SR	*2019 SR*
Right of return assets	**976,977**	544,782
Refund liabilities	**1,150,025**	740,000

16. INVENTORIES

	2020 SR	*2019 SR*
Goods for resale	**315,325,512**	270,455,605
Goods in transit	**94,599,890**	112,733,402
Other inventories (b)	**10,067,177**	8,625,024
	419,992,579	391,814,031

a) During 2020, SR 2,051,694,969 (2019: SR 2,111,374,389) was recognised as an expense for inventories carried at net realizable value. This is recognised in cost of revenues.

b) Other inventories represent spare parts and consumables.

17. CAPITAL

Authorized, issued and paid up capital is divided into 150,000 shares (31 December 2019: 150,000 shares) of SR 1,000 each. Percentage of holding is as follows:

	2020 SR	*2019 SR*
Abdullah Al Ali Al Munajem Sons Company	**99%**	99%
Al-Kafa'a Real Estate Company	**1%**	1%
	100%	100%

Subsequent to year end, the partners of the company resolved to increase the capital of the company. (see note 32)

18. EMPLOYEES' DEFINED BENEFITS LIABILITIES

	2020 SR	*2019 SR*
At the beginning of the year	**34,793,554**	27,612,127
Current service cost (recognized in profit and loss)	**4,115,873**	3,673,915
Interest cost (recognized in profit and loss) (note 25)	**1,038,923**	1,216,116
Payment	**(2,518,804)**	(1,550,813)
Actuarial loss (recognized in OCI)	**2,238,659**	3,842,209
At the end of the year	**39,668,205**	34,793,554

The most recent actuarial valuation was performed by an independent, qualified actuary "LUX Actuaries and Consultants" using the projected unit credit method. LUX Actuaries and Consultants are licensed from the "Institute of Actuaries", "Casualty Actuarial Society" and "Institute and Faculty of Actuaries".

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2020	*2019*
Discount rate	**2.35%**	3.10%
Average duration of the liability (in years)	**10**	9.8
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:

	2020 SR	*2019 SR*
At the beginning of the year	**1,500,754**	(2,341,455)
Actuarial loss on the obligation	**2,238,659**	3,842,209
At the end of the year	**3,739,413**	1,500,754

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.

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18. EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

	2020 **SR**	*2019* *SR*
Increase in discount rate of 1%	**(3,153,711)**	(2,704,775)
Decrease in discount rate of 1%	**3,655,110**	3,126,020
Increase in rate of salary increase of 1%	**3,630,263**	3,129,287
Decrease in rate of salary increase of 1%	**(3,192,876)**	(2,757,073)

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

	2020 **SR**	*2019* *SR*
Within the next 12 months (next annual reporting period)	**5,653,294**	5,090,290
Between 2 and 5 years	**16,149,359**	15,380,860
Beyond 5 years	**21,891,215**	20,746,620
	43,693,868	41,217,770

19. TRADE AND OTHER PAYABLES

	2020 **SR**	*2019* *SR*
Trade payables	**149,777,122**	180,834,012
Advances from customers	**762,544**	489,059
Other payables	**1,410,235**	890,334
	151,949,901	182,213,405

Terms and conditions of the above financial liabilities:

* Trade and other payables are non-interest bearing and have a term of three months

20. SHORT-TERM LOANS

	Effective Interest rate %	***Maturity***	***2020*** ***SR***	*2019* *SR*
SR 10 million	*SIBOR + Fixed rate*	*Less than 1 month*	**10,000,000**	-
SR 40 million	*SIBOR + Fixed rate*	*Less than 1 month*	**40,000,000**	-
SR 33 million	*SIBOR + Fixed rate*	*Less than 1 month*	**33,000,000**	-
SR 5 million	*SIBOR + Fixed rate*	*Less than 1 month*	**5,000,000**	-
SR 40 million	*SIBOR + Fixed rate*	*Less than 1 month*	**40,000,000**	
SR 25 million	*SIBOR + Fixed rate*	*Less than 1 month*	-	25,000,000
SR 23 million	*SIBOR + Fixed rate*	*Less than 1 month*	-	23,000,000
SR 87 million	*SIBOR + Fixed rate*	*Less than 1 month*	-	87,000,000
SR 30 million	*SIBOR + Fixed rate*	*Less than 1 month*	-	30,000,000
			128,000,000	165,000,000

The Company has obtained Murabaha and Tawaruq loans from local banks for financing the Company's working capital requirements. The loans are secured by corporate guarantee from the Parent Company and carry borrowing costs at commercial rates.

As of 31 December 2020, the company has obtained total facilities amounting to SR 620,000,000 (2019: SR 520,000,000) and utilized SR 128,000,000 (2019: SR 165,000,000).

21. ZAKAT PAYABLE

Abdullah Al Ali Almunajem Sons Company (the "Parent Company") and the Company have filed their zakat declaration on a standalone basis until the year ended 31 December 2016. The Parent Company obtained an approval from the General Authority of Zakat and Tax (the GAZT) to submit its zakat returns on a combined basis, including the Company and therefore, from 2017 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 2017 through 2019 has already been submitted with GAZT. The Parent Company has also obtained the zakat certificate until 31 December 2019. The calculation of the zakat liability is done by calculating Zakat due on the standalone basis for each entity of the group and then prorating the amount due to each company based on the combined Zakat calculation of the group.

In view of the approval of IPO process (note 1) and change on legal status of the Company subsequent to the year end (note 32), 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:

	2020 ***SR***	*2019* *SR*
Additional Zakat calculation (Note A below)	**1,948,966**	-
Current year provision	**5,285,909**	2,780,142
Total provided during the year	**7,234,875**	2,780,142

(A) This amount represents additional Zakat expense allocation made by the parent company based on the combined Zakat calculation.

Movement in the zakat provision:

	2020 ***SR***	*2019* *SR*
At the beginning of the year	**2,780,142**	5,441,206
Current year provision	**7,234,875**	2,780,142
Payment during the year	**(4,729,108)**	(5,441,206)
At the end of the year	**5,285,909**	2,780,142

Status of assessments

Almunajem Cold Stores Company – Standalone zakat filing from 2008 to 2016
Zakat returns have been filed with the General Authority of Zakat and Tax (the GAZT) for all years from 2008 to 2016. However, final assessments have not yet been raised by the GAZT. For any assessment that may arise in the future related to the years from 2008 until 2020, will be settled by the Parent Company.

Almunajem Cold Stores Company – Combined zakat filing from 2017 to 2019
Combined Zakat returns have been filed by the Parent Company, including the Company, with the General Authority of Zakat and Tax (the GAZT) for the years from 2017 to 2019. However, final assessments have not yet been raised by the GAZT.

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22. SELLING AND DISTRIBUTION EXPENSES

	2020	*2019*
	SSR	*SR*
Employee costs	**107,014,831**	92,370,610
Marketing expenses	**31,220,742**	25,997,072
Depreciation (note 8)	**24,965,920**	24,729,053
Utilities	**12,843,553**	12,846,677
Sales commission	**11,865,455**	12,129,892
Loading and unloading	**10,717,193**	11,563,389
Car running expenses	**7,912,569**	8,505,562
Insurance	**3,345,257**	3,549,478
Allowance for ECL on trade receivables (note 11)	**2,182,278**	1,033,841
Cold stores maintenance	**2,063,648**	2,142,457
Rental expenses (note 7)	**1,476,685**	4,284,853
Business travel expenses	**1,104,937**	1,417,293
Stationaries and printings	**690,521**	731,375
Amortization (note 9)	**68,191**	51,566
Other expenses	**8,388,649**	2,137,985
	225,860,429	203,491,103

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2020	*2019*
	SR	*SR*
Employee costs	**15,452,431**	13,925,796
Port detention/electric charges	**2,504,695**	2,477,891
Amortization (note 9)	**1,281,788**	1,189,807
Bank charges	**985,639**	1,099,670
Utilities	**721,266**	591,600
Depreciation (note 8)	**413,170**	322,480
Repair and maintenance	**349,812**	182,279
Professional fees	**307,555**	285,041
Transportation and travelling	**73,164**	164,379
Other expenses	**917,464**	1,489,119
	23,006,984	21,728,062

24. OTHER INCOME, NET

	2020	*2019*
	SR	*SR*
Gain from a contingent asset (a)	**10,250,007**	-
Gain on disposal of property, plant and equipment	**3,120,355**	3,657,731
Other income	**967,325**	1,386,713
Insurance claim (b)	-	12,404,502
	14,337,687	17,448,946

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.

b) During 2019, the Company claimed and collected an amount of SR 12.4 million related to an insurance claim which is recorded in other income.

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25. FINANCE COSTS

	2020 SR	*2019 SR*
Interest on bank borrowings	**2,700,388**	7,338,943
Interest on employees' defined benefit liabilities (note 18)	**1,038,923**	1,216,116
Interest on lease liabilities (note 7)	**1,131,884**	975,309
	4,871,195	9,530,368

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

26.1 FINANCIAL ASSETS

	2020 SR	*2019 SR*
Financial assets at amortised cost:		
Trade receivables	**200,764,124**	187,532,454
Due from related parties	**81,527,168**	46,713,617
Other current financial assets	**469,645**	2,458,408
	282,760,937	236,704,479
Bank balances and cash	**19,906,229**	20,090,651
Total financial assets	**302,667,166**	256,795,130

26.2 FINANCIAL LIABILITIES

	Effective Interest rate	*Maturity*	*2020 SR*	*2019 SR*
Current liabilities				
Trade payables and other payables	Interest free	Less than 1 year	**151,949,901**	182,213,405
Short term loans	Note 20	Less than 1 month	**128,000,000**	165,000,000
Lease liabilities	2.39 %	Less than 1 year	**6,924,936**	7,772,498
Due to related parties	Interest free	Less than 1 year	**146,950**	195,761
Due to a partner (see note (a) below)	Interest free	Less than 1 year	**40,364**	107,988,225
			287,062,151	455,397,391
Non-current liabilities				
Lease liabilities	2.39 %		**41,936,474**	38,684,294

a) SR 107,586,101 has been transferred from this balance to increase in capital. The Company has increased its capital from SR 150 million to SR 600 million.

26.3 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2020 SR	*Cash flows SR*	*New lease SR*	*Others SR*	***31 December 2020 SR***
Short term loans	165,000,000	(37,000,000)	-	-	**128,000,000**
Lease liabilities	46,456,792	(8,543,787)	9,816,521	1,131,884	**48,861,410**
Due to a partner	107,988,225	(2,350,640)	-	(105,597,221)	**40,364**
Dividends payable	-	(158,276,811)	-	158,276,811	-
Total liabilities from financing activities	319,445,017	(206,171,238)	9,816,521	53,811,474	**176,901,774**

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

26.3 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	1 January 2019 *SR*	*Cash flows* *SR*	*New lease* *SR*	*Others* *SR*	*31 December 2019* *SR*
Short term loans	160,000,000	5,000,000	-	-	165,000,000
Lease liabilities	-	(4,865,905)	50,347,388	975,309	46,456,792
Due to a partner	111,770,382	(4,627,427)	-	845,270	107,988,225
Dividends	-	(120,000,000)	-	120,000,000	-
Total liabilities from financing activities	271,770,382	(124,493,332)	50,347,388	121,820,579	319,445,017

26.4 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. Its financial liabilities consist of lease liabilities, trade payables, short term loans, due to a partner and due to related parties.

The above financial assets and liabilities, except for lease labilities, approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of lease liabilities is not significantly different to its carrying value as the lease liabilities are determined based on discount rates which gets re-priced at regular intervals.

26.5 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities mainly comprise of lease liabilities, accounts payable and other liabilities and due to a partner, due to related parties and short-term loans. The Company's financial assets include of bank balances and cash, account receivables and other 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.

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

26.5 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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:

	45 basis points increase SR	*45 basis points decrease SR*
2020	**(17,825)**	**17,825**
2019	(8,763)	8,763

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 2020 is SR 30,651,365 (2019: SR 32,664,526).

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*
2020	**(1,532,568)**	**1,532,568**
2019	(1,633,226)	1,633,226

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 is 90 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.

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

26.5 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

31 December 2020	*Not past due* SR	*<90* SR	*90-180* SR	*181-365* SR	*>365* SR	*Total* SR
Weighted average expected credit loss rate %	0.17%	0.56%	14.95%	36.14%	73.50%	
Gross carrying amount	149,998,708	47,317,735	715,356	2,699,153	6,839,581	**207,570,533**
Simplified ECL	(254,680)	(267,296)	(106,926)	(975,581)	(4,542,168)	**(6,146,651)**
100% ECL	-	-	-	-	(659,758)	**(659,758)**
	149,744,028	47,050,439	608,430	1,723,572	1,637,655	**200,764,124**

31 December 2019	*Not past due* SR	*<90* SR	*90-180* SR	*181-365* SR	*>365* SR	*Total* SR
			Trade receivable – days past due			
Weighted average expected credit loss rate %	0.20%	0.66%	22.78%	49.69%	73.50%	
Gross carrying amount	140,018,017	45,352,981	1,465,735	865,098	4,454,754	192,156,585
Simplified ECL	(285,717)	(300,364)	(333,901)	(429,904)	(3,274,245)	(4,624,131)
	139,732,300	45,052,617	1,131,834	435,194	1,180,509	187,532,454

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 2020	*Within 3 months* SR	*3 months to 1 year* SR	*1 to 5 years* SR	*More than 5 years* SR	***Total*** ***SR***
Short term loans	128,064,033	-	-	-	**128,064,033**
Trade payables and other payables	151,949,901	-	-	-	**151,949,901**
Lease liabilities	4,646,035	3,265,559	17,940,308	30,803,020	**56,654,922**
Due to related parties	146,950	-	-	-	**146,950**
Due to partner	40,364	-	-	-	**40,364**
	284,847,283	3,265,559	17,940,308	30,803,020	**336,856,170**

31 December 2019	*Within 3 months* SR	*3 months to 1 year* SR	*1 to 5 years* SR	*More than 5 years* SR	*Total* SR
Short term loans	165,041,344	-	-	-	165,041,344
Trade payables and other payables	182,213,405	-	-	-	182,213,405
Due to a partner	107,988,225	-	-	-	107,988,225
Lease liabilities	2,585,825	3,365,935	15,564,895	34,510,000	56,026,655
Due to related parties	195,761	-	-	-	195,761
	458,024,560	3,365,935	15,564,895	34,510,000	511,465,390

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2020

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 2020 amounted to SR 3.83 per share (31 December 2019: SR 1.82 per share). The profit for the year ended 31 December 2020 amounted to SR 229,678,761 (31 December 2019: SR 109,164,680) and the number of ordinary shares for basic and diluted EPS as at 31 December 2020 are 60,000,000 (31 December 2019: 60,000,000).

The weighted average number of shares has been updated based on capitalization issued subsequent to the year end, (note 32).

A restatement for 2019 EPS has been made considering the effect of the increase in share capital after the year end by capitalizing the retained earnings, statutory reserve and due to a partner.

28. DIVIDENDS

The Senior Management in their meeting held on 23 Sha'ban 1442 H (corresponding to 16 April 2020) proposed dividends declaration of SR 158,276,809 – SR 1,055.18 per share (31 December 2019: SR 120,000,000 – SR 800 per share).

29. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company informally 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, amounts due to a partner, employees' defined benefit liabilities, zakat payable, less cash and bank balances.

	2020	*2019*
	SR	*SR*
Short term loans	**128,000,000**	165,000,000
Lease liability	**48,861,410**	46,456,792
Employees' defined benefits liabilities	**39,668,205**	34,793,554
Zakat payable	**5,430,940**	2,780,142
Due to a partner	**40,364**	107,988,225
Less: Bank balances and cash	**(19,906,229)**	(20,090,651)
Net debt	**202,094,690**	336,928,062
Equity	**640,450,943**	463,701,549
Capital and net debt	**842,545,633**	800,629,611
Gearing ratio	**24%**	42%

ALMUNAJEM COLD STORES COMPANY
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2020

30. SEGMENT INFORMATION

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

2020	*Central region SR*	*Eastern region SR*	*Western region SR*	*Total SR*
Revenues	1,145,487,688	525,160,570	867,805,639	2,538,453,897
Cost of revenues	928,289,415	425,358,839	700,678,570	2,054,326,824
Asset depreciation and amortization	9,104,408	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	**113,861,834**	**54,679,706**	**68,372,098**	**236,913,638**
Total assets	512,376,104	219,767,247	337,705,454	1,069,848,805
Total liabilities	101,077,110	158,667,167	169,798,616	429,542,893

2019	*Central region SR*	*Eastern region SR*	*Western region SR*	*Total SR*
Revenues	1,041,860,774	483,012,281	894,187,362	2,419,060,417
Cost of revenues	895,595,666	416,648,262	772,165,612	2,084,409,540
Asset depreciation and amortization	8,891,947	5,657,828	14,162,233	28,712,008
Depreciation of right-of-use assets	3,222,443	579,345	1,603,680	5,405,468
Segment profit	91,825,022	7,930,470	12,189,330	111,944,822
Total assets	479,212,283	202,375,074	341,521,080	1,023,108,437
Total liabilities	400,565,792	54,745,078	104,096,018	559,406,888

The top 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. Also, the Company's financing and administrative (including finance costs, salaries and benefits of CEO, directors, finance and IT departments, legal and HR departments, administrative and support department, other expenses and other income) and Zakat are managed on a Company basis and are not allocated to operating segments.

31. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Company has given letters of guarantee, limited to SR 410,000 (31 December 2019: SR 2,038,842), in respect of contract performance, and letters of credit amounting to SR 33,597,707 (31 December 2019: SR 53,238,072). There are capital commitments amounting to SR 9,677,152 as at 31 December 2020 (31 December 2019: SR 1,152,676) related to property, plant and equipment.

32. PROPOSED INCREASE IN CAPITAL

In November 2020, the board has decided to increase the capital from an amount of SR 150,000,000 to an amount of SR 600,000,000 by transferring an amount of SR 107,586,101 from due to a partner, 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 have been completed on 17 February 2021.

Subsequent to year end, 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. SUBSEQUENT EVENTS DISCLOSURES

The Company has been converted from a Limited Liability Company to a Closed Joint Stock Company and legal formalities are completed subsequent to the year-end on 17 February 2021.

Also, the Company's Legal name has changed from "AlMunajem Cold Store Company" to "AlMunajem Foods Company" on 17 February 2021.

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 resulted in a slowdown of economic activities and shutdowns 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 period. 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 partners and other factors.

As far and as of the date of preparation of the financial statements for the year ended 31 December 2020, 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.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2020 were authorised for issuance by the Partners on 2 Ramadan 1442 H (corresponding to 14 April 2021).

35. COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements

As a result, certain line items have been amended in the statement of financial position, statement of profit or loss and other comprehensive income, and statements of cash flow, and the related notes to the financial statements.

The items were reclassified as follows:

	As previously stated *SR*	*Reclassification* *SR*	*After reclassification* *SR*
Prepayments and other assets	9,528,147	10,362,662	19,890,809
Other current financial assets	12,821,070	(10,362,662)	2,458,408
Trade and other payables	201,452,414	(19,239,009)	182,213,405
Accrued expenses	-	19,053,543	19,053,543
VAT payable	-	185,466	185,466
Selling and distributive expenses	(205,968,994)	2,477,891	(203,491,103)
General and administrative expenses	(19,250,171)	(2,477,891)	(21,728,062)

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-month period ended 31 March 2021

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Building a better working world

Ernst and Young & Co Public Accountants (Professional Limited Liability Company)
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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD STORES COMPANY)
(SAUDI CLOSED JOINT STOCK COMPANY)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of AlMunajem Foods Company (formerly known as Almunajem Cold Stores Company) (the "Company") as at 31 March 2021, and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Emphasis of Matter:

We issued a review report on 22 June 2021 on the interim condensed financial statements for the three-month period ended 31 March 2021 with "Other Matter" paragraph indicating that the comparative numbers for the three-month period ended 31 March 2020 were unreviewed.

Subsequently, Capital Market Authority of Saudi Arabia (CMA) instructed the Company to engage their auditors to perform a review on the interim condensed financial statements for the three-month period ended 31 March 2020, and to remove the reference from the review report indicating comparative numbers for the three-month period ended 31 March 2020 were unreviewed.

We performed a review on the interim condensed financial statements for the three-month period ended 31 March 2020 and issued a review report on 5 September 2021. Therefore, this review report replaces our review report issued on 22 June 2021. Our conclusion has not been modified in respect of this matter.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
License number 354

Riyadh: 6 Safar 1443H
(13 September 2021)

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CR. 1010383821
شركة ارنست ويونغ وشركاهم محاسبون قانونيون
(شركة مهنية ذات مسئولية محدودة)
Ernst and Young & Co Public Accountant
(Professional LLC)

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Note	*31 March 2021 SR (Unaudited)*	*31 December 2020 SR (Audited)*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	**280,633,260**	281,033,658
Intangible assets		**3,891,634**	4,265,572
Right-of-use assets		**46,274,747**	46,945,925
TOTAL NON-CURRENT ASSETS		**330,799,641**	332,245,155
CURRENT ASSETS			
Inventories	7	**459,592,077**	419,992,579
Trade receivables, prepayments and others	8	**270,560,422**	216,177,674
Due from related parties	11	**72,056,960**	81,527,168
Bank balances and cash	9	**29,232,063**	19,906,229
TOTAL CURRENT ASSETS		**831,441,522**	737,603,650
TOTAL ASSETS		**1,162,241,163**	1,069,848,805
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	**600,000,000**	150,000,000
Proposed increase in share capital	10	**-**	450,000,000
Statutory reserve	10	**22,967,876**	22,967,876
Actuarial valuation reserve		**(3,739,413)**	(3,739,413)
Retained earnings		**50,686,283**	21,222,480
TOTAL EQUITY		**669,914,746**	640,450,943
NON-CURRENT LIABILITIES			
Lease liabilities – non-current portion		**38,933,060**	41,936,474
Employees' defined benefit liabilities		**40,688,103**	39,668,205
TOTAL NON-CURRENT LIABILITIES		**79,621,163**	81,604,679
CURRENT LIABILITIES			
Trade payables, accruals and others	12	**252,013,939**	181,048,705
Due to related parties	11	**3,065,951**	187,314
Refund liabilities		**1,395,729**	1,150,025
Lease liabilities – current-portion		**7,570,538**	6,924,936
Short-term loans	13	**105,000,000**	128,000,000
VAT payable		**34,796,662**	25,196,294
Zakat payable	14	**8,862,435**	5,285,909
TOTAL CURRENT LIABILITIES		**412,705,254**	347,793,183
TOTAL LIABILITIES		**492,326,417**	429,397,862
TOTAL EQUITY AND LIABILITIES		**1,162,241,163**	1,069,848,805

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

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

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the three-month period ended at 31 March 2021

		For the three-month period ended	
	Note	***31 March 2021 SR (Unaudited)***	*31 March 2020 SR (Unaudited)*
Revenue	15	**628,055,404**	687,578,509
Cost of revenue		**(530,614,947)**	(549,468,416)
Gross profit		**97,440,457**	138,110,093
Selling and marketing expenses		**(57,276,284**	(53,483,752)
General and administrative expenses		**(4,964,951)**	(5,310,185)
Depreciation of right-of-use assets		**(1,909,030)**	(1,690,520)
Operating income		**33,290,192**	77,625,636
Other income		**488,259**	1,215,893
Finance costs	16	**(738,122)**	(1,366,115)
Income before zakat		**33,040,329**	77,475,414
Zakat	14	**(3,576,526)**	(1,808,719)
Net income for the period		**29,463,803**	75,666,695
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**29,463,803**	75,666,695
Basic and diluted earnings per share:			
Basic and diluted earnings per share from net income	17	**0.49**	1.26

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

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended at 31 March 2021

	Share capital SR	*Proposed increase in share capital SR*	*Statutory reserve SR*	*Actuarial valuation reserve SR*	*Retained earnings SR*	*Total SR*
As at 1 January 2021	**150,000,000**	**450,000,000**	**22,967,876**	**(3,739,413)**	**21,222,480**	**640,450,943**
Net income for the period	-	-	-	-	29,463,803	29,463,803
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	29,463,803	29,463,803
Increase in share capital (note 10)	450,000,000	(450,000,000)	-	-	-	-
As at 31 March 2021 (Unaudited)	**600,000,000**	-	**22,967,876**	**(3,739,413)**	**50,686,283**	**669,914,746**
As at 1 January 2020	**150,000,000**	-	**75,000,000**	**(1,500,754)**	**240,202,303**	**463,701,549**
Net income for the period	-	-	-	-	75,666,695	75,666,695
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	75,666,695	75,666,695
As at 31 March 2020 (Unaudited)	**150,000,000**	-	**75,000,000**	**(1,500,754)**	**315,868,998**	**539,368,244**

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

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the three-month period ended at 31 March 2021

	Note	***31 March 2021 SR (Unaudited)***	*31 March 2020 SR (Unaudited)*
OPERATING ACTIVITIES			
Profit before zakat		**33,040,329**	77,475,414
Non-cash adjustments to reconcile income before zakat to net cash flows from operatingactivities			
Amortization of right-of-use assets		**1,909,030**	1,690,520
Depreciation	6	**6,759,333**	6,967,994
Amortization of intangible assets		**383,938**	333,411
Interest on lease liabilities		**314,655**	261,359
Interest on short-term loans		**423,465**	1,104,756
Allowance for expected credit losses	8	**2,395,248**	590,599
Gain on disposal of property, plant and equipment		**(319,195)**	(840,903)
Employees' defined benefit liabilities		**1,278,717**	1,699,058
		46,185,520	89,282,208
Working capital adjustments:			
Trade receivables, prepayments and others		**(56,777,996)**	(71,707,743)
Inventories		**(39,599,498)**	51,218,533
Trade payables, accruals and others		**70,941,881**	(14,822,239)
Refund liabilities		**245,704**	410,025
VAT payable		**9,600,368**	25,010,828
Due from/to related parties		**12,348,846**	(27,402,240)
		42,944,825	51,989,372
Finance costs paid		**(400,112)**	(1,093,857)
Employees' defined benefit liabilities paid		**(258,819)**	(451,850)
Net cash from operating activities		**42,285,894**	50,443,665
INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	**(6,376,571)**	(4,542,275)
Proceeds from disposal of property, plant and equipment		**336,830**	873,421
Additions to intangible assets		**(10,000)**	(3,417)
Net cash used in investing activities		**(6,049,741)**	(3,672,271)
FINANCING ACTIVITIES			
Payment of lease liabilities		**(3,910,319)**	(3,723,572)
Proceeds from short-term loans		**1,013,000,000**	1,494,000,000
Repayments of short-term loans		**1,036,000,000)**	(1,475,000,000)
Due from shareholders	11	**-**	(42,904,361)
Net cash used in financing activities		**(26,910,319)**	(27,627,933)
Increase in bank balances and cash		**9,325,834**	19,143,461
Bank balances and cash at the beginning of the period	9	**19,906,229**	20,090,651
Bank balances and cash at the end of the period	9	**29,232,063**	39,234,112
Non-cash transactions:			
Additions to right-of-use assets and lease liabilities		**1,237,852**	-
Transfer of proposed increase in share capital to share capital	10	**450,000,000**	-

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

1. ORGANISATION AND ACTIVITIES

AlMunajem Foods Company (formerly known as Almunajem Cold Stores Company) (the "Company") is a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia (KSA) under commercial registration number 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 11451, KSA.

The Company is a subsidiary of Abdullah Al Ali AlMunajem Sons Company (the "Parent Company") which is a Saudi Closed 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 Company 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 Saudi Closed Joint Stock Company. In addition, the Company's has changed its legal name from "AlMunajem Foods Company" to "AlMunajem Foods Company" (Saudi Closed Joint Stock Company). Legal formalities in respect of conversion of the legal form of the Company and change of name are completed during the current year (note 10).

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed financial statements for the three months period ended 31 March 2021 have been prepared in accordance with International Accounting Standard "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast doubt significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2020.

2.2 Basis of measurement

These interim condensed financial statements have been prepared under the historical cost convention using the accruals basis of accounting. For employee and other post-employment benefits, actuarial present value calculations are used.

2.3 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals (SR) which is also the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, except for the adoption of amendments to standards effective as of 1 January 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021 but do not have an impact on the interim condensed financial statements of the Company.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Company.

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 interim condensed financial statements of the Company.

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

The significant judgments made by management in applying the Company accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2020. However, in view of the current uncertainty regarding COVID 19, any future change in assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amounts of assets or liabilities affected in future periods. As the situation continues to evolve, management will continue to assess the impact based on prospective developments (see also note 21).

6. PROPERTY, PLANT AND EQUIPMENT

	For the three-month period ended 31 March 2021 SR (Unaudited)	*For the year ended 31 December 2020 SR (Audited)*
Cost:		
At the beginning of the period / year	**514,532,525**	537,988,035
Additions during the period / year	**6,376,571**	18,895,703
Disposals during the period / year	**(983,572)**	(24,728,152)
Transfer to a related party (Note 11)	**-**	(17,623,060)
At the end of the period / year	**519,925,524**	514,532,526
Accumulated depreciation:		
At the beginning of the period / year	**233,498,868**	233,871,974
Depreciation charge for the period / year	**6,759,333**	27,826,381
Relating to disposals during the period / year	**(965,937)**	(24,630,261)
Relating to transfer to a related party (Note 11)	**-**	(3,569,226)
At the end of the period / year	**239,292,264**	233,498,868
Net book amounts:		
At the end of the period / year	**280,633,260**	281,033,658

7. INVENTORIES

	31 March 2021 SR (Unaudited)	*31 December 2020 SR (Audited)*
Goods for resale	**280,811,408**	315,325,512
Goods-in-transit	**168,349,645**	94,599,890
Spare parts and consumables	**10,431,024**	10,067,177
	459,592,077	419,992,579

8. TRADE RECEIVABLES, PREPAYMENTS AND OTHERS

	31 March 2021 SR (Unaudited)	*31 December 2020 SR (Audited)*
Trade receivables	**249,724,691**	207,570,533
Less: allowance for expected credit losses	**(9,201,657)**	(6,806,409)
	240,523,034	200,764,124
Prepayments	**19,838,364**	7,905,653
Advances to suppliers and contractors	**6,439,000**	4,642,664
Right of return assets	**1,183,815**	976,777
Other current financial assets	**2,576,209**	1,888,456
	270,560,422	216,177,674

8. TRADE RECEIVABLES, PREPAYMENT AND OTHERS (continued)

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

The movements in the allowance for expected credit losses during the period were as follows:

	For the three-month period ended 31 March 2021 SR (Unaudited)	*For the year ended 31 December 2020 SR (Audited)*
At the beginning of the period / year	**6,806,409**	4,624,131
Allowance for expected credit losses	**2,395,248**	2,182,278
At the end of the period / year	**9,201,657**	6,806,409

9. BANK BALANCES AND CASH

	31 March 2021 SR (Unaudited)	*31 December 2020 SR (Audited)*
Cash at banks	**26,622,761**	17,571,434
Cash on hand	**2,609,302**	2,334,795
	29,232,063	19,906,229

10. SHARE CAPITAL AND STATUTORY RESERVE

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

	31 March 2021 SR (Unaudited)	*31 December 2020 SR (Audited)*
Abdullah Al Ali AlMunajem Sons Company	**99%**	99%
Al-Kafa'a Real Estate Company	**1%**	1%
	100%	100%

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2021

10. SHARE CAPITAL AND STATUTORY RESERVE (continued)

(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 in each year, until this reserve reaches30% of the capital. This reserve is not available for distribution.

11. 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 are as follows:

a) Related party transactions

	Sales	***Purchases***	***Expenses***	***PPE purchase***
	SR	***SR***	***SR***	***SR***
For the three-month period ended 31 March 2021 (Unaudited)				
France Poultry	-	111,869,105	-	-
Shawaya House Company	9,022,085	66,871	118,505	-
Gulf Catering Company	2,570,927	348,958	918,748	-
Nutrition and Diet Center Company	1,313,071	520,143	1,549,231	3,656,268
Az-Zad Saudi Company	255,987	28,879	47,287	-
Burieda Trading and Refrigeration Company	-	861,680	80,332	-
Al-Kafa'a Real State Company	-	-	618,375	-
Abdullah Al Ali AlMunajem Sons Company.	-	-	2,109,056	-

	Sales	*Purchases*	*Expenses*	*Financing**
	SR	*SR*	*SR*	*SR*
For the three-month period ended 31 March 2020 (Unaudited)				
France Poultry	-	59,349,996	-	-
Shawaya House Company	8,041,193	-	152,486	-
Gulf Catering Company	3,474,819	208,186	535,500	-
Nutrition and Diet Center Company	1,767,175	229,120	1,018,993	-
Az-Zad Saudi Company	297,685	97,239	36,942	-
Thati Limited Company	587,031	-	28,716	-
Burieda Trading and Refrigeration Company	-	2,000	166,114	-
Al-Kafa'a Real State Company*	-	-	587,690	429,044
Abdullah Al Ali Almunajem Sons Company*	-	-	682,344	42,475,317
Al Ameda Contracting Company	-	-	5,000	-

*Amounts paid to shareholders totaling SR 42,904,361 was subsequently settled against dividends declared (note 18).
**

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2021

11. RELATED PARTIES DISCLOSURES (continued)

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

b) Amounts due from related parties

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

	31 March 2021 ***SR*** ***(Unaudited)***	*31 December 2020* *SR* *(Audited)*
France Poultry	**60,084,539**	71,043,712
Shawaya House Company	**9,974,601**	7,150,774
Gulf Catering Company	**1,029,256**	720,017
Gulf Catering Food Factory (Kako)	**730,372**	542,887
Thati Limited Company	**92,198**	473,886
Az-Zad Saudi Company	**86,421**	151,715
Burieda Trading and Refrigeration Company	**59,573**	418,942
Nutrition and Diet Center Company	**-**	1,025,235
	72,056,960	81,527,168

The above balances are unsecured, interest free and settled within 12 months. The management estimate the allowance on due from related party balance at the reporting date at an amount equal to lifetime ECL. No receivable balance 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, the 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.

c) Amounts due to related parties

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

	31 March 2021 ***SR*** ***(Unaudited)***	*31 December 2020* *SR* *(Audited)*
Nutrition and Diet Center Company	**2,839,981**	-
Abdullah Al Ali AlMunajem Sons Company (Parent Company)	**171,222**	40,364
Sudair Frozen Factory	**54,748**	146,950
	3,065,951	187,314

The Company uses a bank account under the name of the parent company. The Company is the beneficiary of this bank account. The balance as at 31 March 2021 is SR 115,995 (31 December 2020: SR 1,003).

Terms and conditions of the above due to a shareholder:

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

11. RELATED PARTIES DISCLOSURES (continued)

d) 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:

	For the three-month period ended	
	31 March 2021 **SR** ***(Unaudited)***	*31 March 2020* SR *(Unaudited)*
Short-term employee benefits	**1,362,694**	1,175,088
Employees' defined benefit liabilities	**108,441**	128,734

12. TRADE PAYABLES, ACCRUALS AND OTHERS

	31 March 2021 SR (Unaudited)	*31 December 2020 SR (Audited)*
Trade payables	**225,703,227**	149,777,122
Accrued expenses	**24,695,498**	29,098,804
Advances from customers	**694,462**	762,544
Other payables	**920,752**	1,410,235
	252,013,939	181,048,705

Terms and conditions of the above financial liabilities:

* Trade and other payables are non-interest bearing and have a term of three months.

13. SHORT-TERM LOANS

The Company has obtained Murabaha and Tawaruq loans from local banks for financing the Company's working capital requirements. The loans are secured by corporate guarantee from the Parent Company and carry borrowing costs at commercial rates.

As of 31 March 2021, the Company has obtained total facilities amounting to SR 700,000,000 (2020: SR 520,000,000) and utilized SR 105,000,000 (2020: SR 128,000,000).

14. ZAKAT PAYABLE

Abdullah Al Ali Almunajem Sons Company (the "Parent Company") and the Company have filed their zakat declaration on a standalone basis until the year ended 31 December 2016. The Parent Company obtained an approval from the General Authority of Zakat and Tax (the "GAZT") to submit its zakat returns on a combined basis, including the Company and therefore, from 2017 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 2017 through 2020 have been already submitted with GAZT. The Parent Company has also obtained the zakat certificate until 31 December 2020. The calculation of the zakat liability is done by calculating Zakat due on the standalone basis for each entity of the group and then prorating the amount due to each company based on the combined Zakat calculation of the group.

In view of the approval of IPO process (note 1) and change in the legal status of the Company during the current year end (note 10), 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 period/year comprise of the following:

	For the three- month period ended 31 March 2021 SR (Unaudited)	*For the year ended 31 December 2020 SR (Audited)*
Additional Zakat allocation (Note A below)	**-**	1,948,966
Current period /year provision	**3,576,526**	5,285,909
Total provided during the period/year	**3,576,526**	7,234,875

(A) This amount represents additional Zakat expense allocation made by the Parent Company based on the combined Zakat calculation.

Movement in the zakat provision:

	For the three- month period ended 31 March 2021 SR (Unaudited)	*For the year ended 31 December 2020 SR (Audited)*
At the beginning of the period /year	**5,285,909**	2,780,142
Current period /year provision	**3,576,526**	7,234,875
Payment during the period /year	**-**	(4,729,108)
Balance at the end of the period /year	**8,862,435**	5,285,909

Status of assessments

Standalone zakat filing from 2008 to 2016
Zakat returns have been filed with the General Authority of Zakat and Tax (the GAZT) for all years from 2008 to 2016. However, final assessments have not yet been raised by the GAZT. For any assessment that may arise in the future related to the years from 2008 until 2020, will be settled by the Parent Company.

Combined zakat filing from 2017 to 2020
Combined Zakat returns have been filed by the Parent Company, including the Company, with the General Authority of Zakat and Tax (the GAZT) for the years from 2017 to 2020. However, final assessments have not yet been raised by the GAZT.

Going forward the Company will be filling Zakat return on standalone basis.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2021

15. REVENUE

	For the three-month period ended	
	31 March 2021 SR (Unaudited)	*31 March 2020 SR (Unaudited)*
Non-retail - goods transferred at a point in time	**348,077,089**	401,894,334
Retail - goods transferred at a point in time	**278,344,027**	284,088,795
Services transferred over time	**1,634,288**	1,595,380
	628,055,404	687,578,509

	For the three-month period ended	
	31 March 2021 SR (Unaudited)	*31 March 2020 SR (Unaudited)*
Timing of revenue recognition		
Goods transferred at a point in time	**626,421,116**	685,983,129
Services transferred over time	**1,634,288**	1,595,380
	628,055,404	687,578,509

16. FINANCE COSTS

	For the three-month period ended	
	31 March 2021 SR (Unaudited)	*31 March 2020 SR (Unaudited)*
Interest on bank borrowings	**423,467**	1,104,756
Interest on lease liabilities	**314,655**	261,359
	738,122	1,366,115

17. EARNING PER SHARE (EPS)

Basic and diluted earnings per share ("EPS") is calculated by dividing the net income for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is the same as the basic earnings per share as the Company does not have any convertible securities or diluted instruments to exercise.

The following table reflects the income for the period attributable to ordinary equity holders and weighted average number of ordinary share outstanding during the period used in the basic and diluted EPS computations:

Basic and diluted earnings per share from total income.

	For the three-month period ended	
	31 March 2021 SR (Unaudited)	*31 March 2020 SR (Unaudited)*
Total income for the period	**29,463,803**	75,666,695
Weighted average no of shares for basic & diluted earnings per share	**60,000,000**	60,000,000
Basic and diluted earnings per share	**0.49**	1.26

ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD STORES COMPANY)
(SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2021

18. DIVIDENDS

No dividends have been proposed in the current period. During the three-month period ended 31 March 2020, the Board of Directors proposed dividends of SR 42,904,361 (SR 286.03 dividends per share) which were approved the shareholders in their meeting held on 23 Sha'ban 1441 H (corresponding to 16 April 2020).

19. SEGMENT INFORMATION

For management purposes, the Company is organised into business units based on its geographical regions within the Kingdom of Saudi Arabia, as follows:

	Central region SR	***Eastern region SR***	***Western region SR***	***Total SR***
For the three-month period ended at 31March 2021(Unaudited)				
Revenues	289,392,183	121,778,940	216,884,281	628,055,404
Cost of revenues	245,871,958	102,664,268	182,078,721	530,614,947
Asset depreciation and amortization	2,719,611	1,608,372	2,815,288	7,143,271
Depreciation of right-of-use assets	1,048,164	279,709	581,157	1,909,030
Segment profit before zakat	**14,738,822**	**7,452,067**	**10,849,440**	**33,040,329**
Total assets 31 March 2021 (Unaudited)	604,641,795	219,931,564	337,667,804	1,162,241,163
Total liabilities 31 March 2021 (Unaudited)	459,834,350	11,968,677	20,523,390	492,326,417

	Central region SR	*Eastern region SR*	*Western region SR*	*Total SR*
For the three-month period ended at 31March 2020 (Unaudited)				
Revenues	309,410,757	140,764,017	237,403,735	687,578,509
Cost of revenues	245,524,747	113,211,449	190,732,220	549,468,416
Asset depreciation and amortization	2,261,554	1,823,073	3,216,778	7,301,405
Depreciation of right-of-use assets	920,945	228,677	540,898	1,690,520
Segment profit before zakat	37,789,200	16,936,973	22,749,241	77,475,414
Total assets 31 December 2020	512,376,104	219,767,247	337,705,454	1,069,848,805
Total liabilities 31 December 2020	101,077,110	158,667,167	169,653,585	429,397,862

The 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. Also, the Company's financing and administrative (including finance costs, salaries and benefits of CEO, directors, finance and IT departments, legal and HR departments, administrative and support department, other expenses and other income) and Zakat are managed on a Company basis and are not allocated to operating segments.

20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Company has given letters of guarantee, limited to SR 650,000 (31 December 2020: SR 410,000), in respect of contract performance, and letters of credit amounting to SR 25,051,712 (31 December 2020: SR 33,597,707). There are capital commitments amounting to SR 5,124,074 as at 31 March 2021 (31 December 2020: SR 9,677,152) related to property, plant and equipment.

21. 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 resulted in a slowdown of economic activities and shutdowns 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 period. 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 partners and other factors.

As far and as of the date of preparation of the interim condensed financial statements for the period ended 31 March 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.

22. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved for issuance by the Board of Directors on 6 Safar 1443H (corresponding to 13 September 2021).

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTMEBR 2021 AND INDEPENDENT AUDITOR'S REVIEW REPORT (UNAUDITED)

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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2021

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Building a better working world

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ALMUNAJEM FOODS COMPANY (formerly known as ALMUNAJEM COLD STORES COMPANY)
(SAUDI CLOSED JOINT STOCK COMPANY)

Introduction:
We have reviewed the accompanying interim condensed statement of financial position of Almunajem Foods Company (formerly known as Almunajem Cold Stores Company) (the "Company") as at 30 September 2021, and the related interim condensed statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2021, and the related interim condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2021, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:
We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
License No. (354)

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CR. 1010383821
شركة ارنست ويونغ وشركاهم محاسبون قانونيون
(شركة ذات مسئولية محدودة مهنية)
Ernst and Young & Co Public Accountants
(Professional LLC)

Riyadh: 4 Rabi' al Thani 1443H
(9 November 2021)

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

	Note	***30 September 2021 (Unaudited) SR***	*31 December 2020 (Audited) SR*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	**285,800,213**	281,033,658
Intangible assets		**3,305,042**	4,265,572
Right-of-use assets		**47,768,606**	46,945,925
TOTAL NON-CURRENT ASSETS		**336,873,861**	332,245,155
CURRENT ASSETS			
Inventories	7	**421,203,486**	419,992,579
Trade receivables, prepayments, and others	8	**248,493,486**	216,177,674
Due from related parties	11	**111,025,307**	81,527,168
Bank balances and cash	9	**30,121,267**	19,906,229
TOTAL CURRENT ASSETS		**810,843,546**	737,603,650
TOTAL ASSETS		**1,147,717,407**	1,069,848,805
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	**600,000,000**	150,000,000
Proposed increase in share capital	10	**-**	450,000,000
Statutory reserve	10	**22,967,876**	22,967,876
Actuarial valuation reserve		**(3,739,413)**	(3,739,413)
Retained earnings		**141,336,540**	21,222,480
TOTAL EQUITY		**760,565,003**	640,450,943
NON-CURRENT LIABILITIES			
Lease liabilities – non-current portion		**41,896,950**	41,936,474
Employees' defined benefit liabilities		**44,144,802**	39,668,205
TOTAL NON-CURRENT LIABILITIES		**86,041,752**	81,604,679
CURRENT LIABILITIES			
Trade payables, accruals, and others	12	**176,621,310**	181,048,705
Due to related parties	11	**202,793**	187,314
Refund liabilities		**1,225,416**	1,150,025
Lease liabilities – current-portion		**7,393,448**	6,924,936
Short-term borrowings	13	**70,000,000**	128,000,000
VAT payable		**28,979,264**	25,196,294
Zakat payable	14	**16,688,421**	5,285,909
TOTAL CURRENT LIABILITIES		**301,110,652**	347,793,183
TOTAL LIABILITIES		**387,152,404**	429,397,862
TOTAL EQUITY AND LIABILITIES		**1,147,717,407**	1,069,848,805

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the three-month and nine-month periods ended 30 September 2021

		For the three-month period ended		*For the nine-month period ended*	
	Note	***Three-month period ended 30 September 2021***	*Three-month period ended 30 September 2020*	***Nine-month period ended 30 September 2021***	*Nine-month period ended 30 September 2020*
		(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
		SR	*SR*	***SR***	*SR*
Revenue	15	**654,988,049**	626,377,540	**1,897,525,865**	1,916,360,595
Cost of revenue		**(535,393,039)**	(504,112,457)	**(1,571,488,858)**	(1,529,094,730)
Gross profit		**119,595,010**	122,265,083	**326,037,007**	387,265,865
Selling and marketing expenses		**(56,629,579)**	(55,013,393)	**(174,541,939)**	(166,598,631)
General and administrative expenses		**(4,987,295)**	(4,612,388)	**(15,195,555)**	(15,464,152)
Depreciation of right-of-use assets		**(2,034,326)**	(1,964,614)	**(5,961,189)**	(5,281,823)
Operating profit		**55,943,810**	60,674,688	**130,338,324**	199,921,259
Other income		**1,554,468**	11,320,355	**3,636,502**	13,098,691
Finance costs	16	**(863,686)**	(1,433,117)	**(2,458,254)**	(3,750,861)
Profit before zakat		**56,634,592**	70,561,926	**131,516,572**	209,269,089
Zakat	14	**(3,975,765)**	(3,762,469)	**(11,402,512)**	(7,379,906)
Net profit for the period		**52,658,827**	66,799,457	**120,114,060**	201,889,183
Other comprehensive loss					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of employee defined benefit liabilities		**-**	(2,422,173)	**-**	(2,422,173)
Total comprehensive income for the period		**52,658,827**	64,377,284	**120,114,060**	199,467,010
Basic and diluted earnings per share:					
Basic and diluted earnings per share from net income	17	**0.88**	1.07	**2.00**	3.32

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended 30 September 2021

	Share capital *SR*	*Proposed increase in share capital* *SR*	*Statutory reserve* *SR*	*Actuarial valuation reserve* *SR*	*Retained earnings* *SR*	*Total* *SR*
As at 1 January 2021 (Audited)	150,000,000	450,000,000	22,967,876	(3,739,413)	21,222,480	640,450,943
Net income for the period	-	-	-	-	**120,114,060**	**120,114,060**
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	**120,114,060**	**120,114,060**
Increase in share capital (note 10)	450,000,000	(450,000,000)	-	-	-	-
As at 30 September 2021 (Unaudited)	**600,000,000**	-	**22,967,876**	**(3,739,413)**	**141,336,540**	**760,565,003**
As at 1 January 2020 (Audited)	150,000,000	-	75,000,000	(1,500,754)	240,202,303	463,701,549
Net income for the period	-	-	-	-	201,889,183	201,889,183
Other comprehensive loss for the period	-	-	-	(2,422,173)	-	(2,422,173)
Total comprehensive income for the period	-	-	-	(2,422,173)	201,889,183	199,467,010
Dividends paid (note 18)	-	-	-	-	(158,276,809)	(158,276,809)
As at 30 September 2020 (Unaudited)	150,000,000	-	75,000,000	(3,922,927)	283,814,677	504,891,750

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the nine-month period ended 30 September 2021

	Note	***Nine-month period ended 30 September 2021 (Unaudited) SR***	*Nine-month period ended 30 September 2020 (Unaudited) SR*
OPERATING ACTIVITIES			
Profit before zakat		**131,516,572**	209,269,089
Non-cash adjustments to reconcile income before zakat to net cash flows from operatingactivities			
Depreciation of right-of-use assets		**5,990,558**	5,281,823
Depreciation of property, plant and equipment	6	**19,824,597**	21,149,852
Amortization of intangible assets		**1,161,032**	1,308,577
Interest on lease liabilities	16	**927,774**	655,403
Interest on short-term borrowings	16	**1,530,480**	2,307,477
Allowance for expected credit losses	8	**2,622,345**	2,108,012
Gain on disposal of property, plant and equipment		**(3,108,308)**	(1,950,961)
Employees' defined benefit liabilities		**5,625,450**	3,074,325
		166,090,500	243,203,597
Working capital adjustments:			
Trade receivables, prepayments, and others		**(34,938,157)**	(26,702,397)
Inventories		**(1,210,907)**	(36,300,616)
Trade payables, accruals, and others		**(4,427,395)**	47,791,345
Refund liabilities		**75,391**	388,181
VAT payable		**3,782,970**	27,688,816
Due from/to related parties		**(29,482,660)**	(20,766,998)
		99,889,742	235,301,928
Finance costs paid		**(1,530,480)**	(1,519,496)
Employees' defined benefit liabilities paid		**(1,148,854)**	(2,287,776)
Zakat paid		-	(4,729,108)
Net cash generated from operating activities		**97,210,408**	226,765,548
INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	**(24,718,640)**	(14,754,523)
Proceeds from disposal of property, plant and equipment		**3,235,796**	2,319,525
Additions to intangible assets		**(200,502)**	(611,833)
Net cash used in investing activities		**(21,683,346)**	(13,046,831)
FINANCING ACTIVITIES			
Payment of lease liabilities		**(7,312,024)**	(6,344,633)
Due to a partner		-	903,471
Proceeds from short-term borrowings		**3,080,000,000**	95,000,000
Repayments of short-term borrowings		**(3,138,000,000)**	(165,000,000)
Dividends paid	18	-	(122,904,361)
Net cash used in financing activities		**(65,312,024)**	(198,345,523)
Increase in bank balances and cash		**10,215,038**	15,373,194
Bank balances and cash at the beginning of the period	9	**19,906,229**	20,090,651
Bank balances and cash at the end of the period	9	**30,121,267**	35,463,845
Non-cash transactions:			
Additions to right-of-use assets and lease liabilities		**47,768,606**	36,875,865
Transfer of proposed increase in share capital to share capital	10	**450,000,000**	-
Unpaid dividends	18	-	35,372,448
Transfer of property, plant and equipment to a related party, net	11	-	13,950,205

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
At 30 September 2021

1. ORGANISATION AND ACTIVITIES

Almunajem Foods Company (formerly known as Almunajem Cold Stores Company) (the "Company") is a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of SaudiArabia (KSA) under commercial registration number 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 11451, KSA.

The Company is a subsidiary of Abdullah Al Ali Almunajem Sons Company (the "Parent Company") which is a Saudi Closed 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 Company 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 a Limited Liability Company to a Closed Joint Stock Company. In addition, the Company has changed its legal name from "Almunajem Cold Stores Company" to "Almunajem Foods Company" (Saudi Closed Joint Stock Company). Legal formalities in respect of conversion of the legal form of the Company and change of name were completed during 2021(note 10). As of 28 September 2021, the Capital Market Authority ("CMA") Board has issued its resolution approving Almunajem Foods Company's ("the Company") application for the offering of (18,000,000) shares representing (30%) of the Company's share capital.

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed financial statements for the three-month and nine-month period ended 30 September 2021 have been prepared in accordance with International Accounting Standard "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. The Company has prepared the interim condensed financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast doubt significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2020.

2.2 Basis of measurement

These interim condensed financial statements have been prepared under the historical cost convention using the accruals basis of accounting. For employee and other post-employment benefits, actuarial present value calculations are used.

2. BASIS OF PREPARATION (continued)

2.3 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals (SR) which is also the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, except for the adoption of amendments to standards effective as of 1 January 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have a material impact on the interim condensed financial statements of the Company.

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 interim condensed financial statements of the Company.

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

The significant judgments made by management in applying the Company accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2020. However, in view of the current uncertainty regarding COVID 19, any future change in assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amounts of assets or liabilities affected in future periods. As the situation continues to evolve, management will continue to assess the impact based on prospective developments (see also note 22).

6. PROPERTY, PLANT AND EQUIPMENT

	Nine-month period ended 30 September 2021 (Unaudited) SR	*Year end 31 December 2020 (Audited) SR*
Cost:		
At the beginning of the period / year	**514,532,526**	537,988,035
Additions during the period / year	**24,718,640**	18,895,703
Disposals during the period / year	**(8,760,530)**	(24,728,152)
Transfer to a related party (note 11)	**-**	(17,623,060)
At the end of the period / year	**530,490,636**	514,532,526
Accumulated depreciation:		
At the beginning of the period / year	**233,498,868**	233,871,974
Depreciation charge for the period / year	**19,824,597**	27,826,381
Relating to disposals during the period / year	**(8,633,042)**	(24,630,261)
Relating to transfer to a related party (note 11)	**-**	(3,569,226)
At the end of the period / year	**244,690,423**	233,498,868
Net book amounts:		
At the end of the period / year	**285,800,213**	281,033,658

7. INVENTORIES

	Nine-month period ended 30 September 2021 (Unaudited) SR	*Year end 31 December 2020 (Audited) SR*
Goods for resale	**306,102,078**	315,325,512
Goods-in-transit	**102,181,123**	94,599,890
Spare parts and consumables	**12,920,285**	10,067,177
	421,203,486	419,992,579

8. TRADE RECEIVABLES, PREPAYMENTS AND OTHERS

	Nine-month period ended 30 September 2021 (Unaudited) SR	*Year ended 31 December 2020 (Audited) SR*
Trade receivables	**231,880,587**	207,570,533
Less: allowance for expected credit losses	**(9,428,754)**	(6,806,409)
	222,451,833	200,764,124
Prepayments	**13,853,865**	7,905,653
Advances to suppliers and contractors	**8,366,030**	4,642,664
Right of return assets	**1,018,400**	976,777
Other current financial assets	**2,803,358**	1,888,456
	248,493,486	216,177,674

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2021

8. TRADE RECEIVABLES, PREPAYMENT AND OTHERS (continued)

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 are, therefore, unsecured.

The movements in the allowance for expected credit losses during the period were as follows:

	For nine-month period ended 30 September 2021 (Unaudited) SR	*Year ended 31 December 2020 (Audited) SR*
At the beginning of the period / year	**6,806,409**	4,624,131
Allowance for expected credit losses	**2,622,345**	2,182,278
At the end of the period / year	**9,428,754**	6,806,409

9. BANK BALANCES AND CASH

	Nine-month period ended 30 September 2021 (Unaudited) SR	*31 December 2020 (Audited) SR*
Cash at banks	**28,315,333**	17,571,434
Cash on hand	**1,805,934**	2,334,795
	30,121,267	19,906,229

10. SHARE CAPITAL AND STATUTORY RESERVE

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

	Nine-month period ended 30 September 2021 (Unaudited) SR	*Year ended 31 December 2020 (Audited) SR*
Abdullah Al Ali Almunajem Sons Company	**99%**	99%
Al-Kafa'a Real Estate Company	**1%**	1%
	100%	100%

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2021

10. SHARE CAPITAL AND STATUTORY RESERVE (continued)

(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.

11. 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.

In addition to the corporate guarantee from the Parent Company as disclosed in note 13, transactions with related parties included in the statement of profit or loss during the period are as follows:

a) Related party transactions

	Sales	*Purchases*	*Expenses*	*PPE purchase*
	SR	*SR*	*SR*	*SR*
For the three-month period ended 30 September 2021 (Unaudited)				
France Poultry	-	104,127,354	-	-
Shawaya House Company	9,771,640	59,880	96,570	-
Gulf Catering Company	2,892,041	207,412	675,220	-
Nutrition and Diet Center Company	1,851,583	363,234	384,172	-
Az-Zad Saudi Company	276,775	25,482	44,502	-
Thati Limited Company	38,175	-	7,544	-
Burieda Trading and Refrigeration Company	-	-	88,969	-
Al-Kafa'a Real State Company	-	-	92,500	-
Abdullah Al Ali AlMunajem Sons Company	-	-	7,753	-

	Sales	*Purchases*	*Expenses*	*PPE purchase*
	SR	*SR*	*SR*	*SR*
For the nine-month period ended 30 September 2021 (Unaudited)				
France Poultry	-	299,999,686	-	-
Shawaya House Company	28,970,617	166,686	309,682	-
Gulf Catering Company	8,325,712	833,579	1,989,602	-
Nutrition and Diet Center Company	4,191,406	1,242,867	3,062,704	3,702,669
Az-Zad Saudi Company	815,525	72,507	130,503	-
Thati Limited Company	130,854	-	27,487	-
Burieda Trading and Refrigeration Company	-	1,217,490	256,077	-
Al-Kafa'a Real State Company	-	-	711,400	-
Abdullah Al Ali Almunajem Sons Company.	-	-	2,141,316	-

	Sales	*Purchases*	*Expenses*	*PPE disposal*
	SR	*SR*	*SR*	
For the three-month period ended 30 September 2020 (Unaudited)				
France Poultry	-	126,078,123	-	-
Shawaya House Company	8,989,467	71,102	182,619	-
Gulf Catering Company	3,340,560	391,922	779,148	-
Nutrition and Diet Center Company	1,424,280	717,185	1,086,586	-
Az-Zad Saudi Company	232,613	31,746	78,011	-
Thati Limited Company	67,692	-	5,433	-
Burieda Trading and Refrigeration Company	-	2,238	65,077	-
Al-Kafa'a Real State Company	-	-	394,470	13,950,205
Abdullah Al Ali Almunajem Sons Company	-	-	5,893,830	-

11. RELATED PARTIES DISCLOSURES (continued)

	Sales *SR*	*Purchases* *SR*	*Expenses* *SR*	*PPE disposal*
For the nine-month period ended 30 September 2020 (Unaudited)				
France Poultry	-	329,102,135	-	-
Shawaya House Company	22,561,394	79,452	423,016	-
Gulf Catering Company	9,397,855	762,687	1,642,642	-
Nutrition and Diet Center Company	4,854,221	1,828,652	2,493,813	-
Az-Zad Saudi Company	625,572	159,182	13,215	-
Thati Limited Company	1,140,365	-	33,190	-
Burieda Trading and Refrigeration Company	-	2,447,550	317,147	-
Al-Kafa'a Real State Company	-	-	956,181	13,950,205
Abdullah Al Ali Almunajem Sons Company	-	-	6,552,849	-
Al Ameda Contracting Company	-	-	4,969	-

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

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

	Nine-month period ended 30 September 2021 (Unaudited) SR	*Year ended 31 December 2020 (Audited) SR*
France Poultry	**97,130,462**	71,043,712
Shawaya House Company	**8,192,592**	7,150,774
Gulf Catering Company	**2,381,620**	1,262,904
Nutrition and Diet Center Company	**1,667,266**	1,025,235
Burieda Trading and Refrigeration Company	**1461613**	418,942
Az-Zad Saudi Company	**99,818**	151,715
Thati Limited Company	**91,936**	473,886
	111,025,307	81,527,168

The above balances are unsecured, interest free and settled within 12 months. The management estimates the allowance on due from related party balance at the reporting date at an amount equal to lifetime ECL. No receivable balance 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, the 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.

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

	Nine-month period ended 30 September 2021 (Unaudited) SR	*Year ended 31 December 2020 (Audited) SR*
Nutrition and Diet Center Company Sodier	**-**	146,950
Abdullah Al Ali Almunajem Sons Company (Parent Company)	**202,793**	40,364
	202,793	187,314

11. RELATED PARTIES DISCLOSURES (continued)

Terms and conditions of the above due to a shareholder:
These amounts are non-interest bearing and are generally on terms of 30 to 45 days.

d) 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:

	For the three-month period ended		*For the nine-month period ended*	
	30 September 2021 (Unaudited) SR	*30 September 2020 (unaudited) SR*	***30 September 2021 (Unaudited) SR***	*30 September 2020 (unaudited) SR*
Short-term employee benefits	**1,440,319**	1,299,748	**4,233,377**	3,667,941
Employees' defined benefit liabilities	**78,165**	55,993	**308,541**	309,600
	1,518,484	1,355,741	**4,541,918**	3,977,541

12. TRADE PAYABLES, ACCRUALS AND OTHERS

	Nine-month period ended 30 September 2021 (Unaudited) SR	*Year ended 31 December 2020 (Audited) SR*
Trade payables	**149,150,272**	149,777,122
Accrued expenses	**25,610,344**	29,098,804
Advances from customers	**967,557**	762,544
Other payables	**893,137**	1,410,235
	176,621,310	181,048,705

Terms and conditions of the above financial liabilities:

Trade and other payables are non-interest bearing and have a term of three months.

13. SHORT-TERM BORROWINGS

The Company has obtained Murabaha and Tawaruq loans from local banks for financing the Company's working capital requirements. The loans are secured by corporate guarantee from the Parent Company and carry borrowing costs at commercial rates.

As of 30 September 2021, the Company's total credit facilities are SR 570,000,000 (31 December 2020: SR 520,000,000) out of which SR 70,000,000 has been utilized (31 December 2020: SR 128,000,000).

14. 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. The calculation of the zakat liability was done by calculating Zakat due on the standalone basis for each entity of the group and then prorating the amount due to each company based on the combined Zakat calculation of the group.

In view of the approval of IPO process (note 1) and change in the legal status of the Company during the current year end (note 10), 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 period/year comprises of the following:

	For nine-month period ended 30 September 2021 (Unaudited) SR	*For the year ended 31 December 2020 (Audited) SR*
Additional Zakat allocation (note (a) below)	**-**	1,948,966
Current period /year provision	**11,402,512**	5,285,909
Total provided during the period/year	**11,402,512**	7,234,875

a) This amount represents additional Zakat expense allocation made by the Parent Company based on the combined Zakat calculation.

Movement in the zakat provision:

	For the nine- month period ended 30 September 2021 (Unaudited) SR	*For the year ended 31 December 2020 (Audited) SR*
At the beginning of the period /year	**5,285,909**	2,780,142
Current period /year provision and additional zakat allocated	**11,402,512**	7,234,875
Payment during the period /year	**-**	(4,729,108)
Balance at the end of the period /year	**16,688,421**	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 (ZTCA) for the years from 2008 to 2020. For any additional amounts may raise by ZTCA in the future related to the years from 2008 until 2020, will be settled by the Parent Company.

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

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15. REVENUE

	For the three-month period ended		*For the nine-month period ended*	
	30 September 2021 (Unaudited) SR	*30 September 2020 (unaudited) SR*	***30 September 2021 (Unaudited) SR***	*30 September 2020 (Unaudited) SR*
Non-retail - goods transferred at a point in time	**421,045,342**	384,569,298	**1,147,257,962**	1,091,242,529
Retail - goods transferred at a point in time	**231,704,255**	239,882,008	**744,358,098**	819,556,972
Storage rent revenue	**2,238,452**	1,926,234	**5,909,805**	5,561,094
	654,988,049	626,377,540	**1,897,525,865**	1,916,360,595

	For the three-month period ended		*For the nine-month period ended*	
	30 September 2021 (Unaudited) SR	*30 September 2020 (Unaudited) SR*	***30 September 2021 (Unaudited) SR***	*30 September 2020 (Unaudited) SR*
Timing of revenue recognition				
Goods transferred at a point in time	**652,749,597**	624,451,306	**1,891,616,060**	1,910,799,501
Storage rent revenue– over time	**2,238,452**	1,926,234	**5,909,805**	5,561,094
	654,988,049	626,377,540	**1,897,525,865**	1,916,360,595

16. FINANCE COSTS

	For the three-month period ended		*For the nine-month period ended*	
	30 September 2021 (Unaudited) SR	*30 September 2020 (Unaudited) SR*	***30 September 2021 (Unaudited) SR***	*30 September 2020 (Unaudited) SR*
Interest on bank borrowings	**559,821**	504,779	**1,530,480**	2,307,477
Interest on lease liabilities	**303,865**	140,357	**927,774**	655,403
Interest on actuarial	**-**	787,981	**-**	787,981
	863,686	1,433,117	**2,458,254**	3,750,861

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17. EARNING PER SHARE (EPS)

Basic and diluted earnings per share ("EPS") is calculated by dividing the net income for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is the same as the basic earnings per share as the Company does not have any convertible securities or diluted instruments to exercise.

The following table reflects the income for the period attributable to ordinary equity holders and weighted average number of ordinary share outstanding during the period used in the basic and diluted EPS computations:

Basic and diluted earnings per share from total income.

	For the three-month period ended		*For the three-month period ended*	
	30 September 2021 SR	*30 September 2020 SR*	***30 September 2021 SR***	*30 September 2020 SR*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Total comprehensive income for the period	**52,658,827**	64,377,284	**120,114,060**	199,467,010
Weighted average number of ordinary shares	**60,000,000**	60,000,000	**60,000,000**	60,000,000
Basic and diluted earnings per share	**0.88**	1.07	**2.00**	3.32

18. DIVIDENDS

No dividends have been proposed in the current period. During the nine-month period ended 30 September 2020, dividends of SR 158,276,809 (SR 1,055.2 dividends per share) were declared, which were approved by the partners in their meeting held on 23 Sha'ban 1441H (corresponding to 16 April 2020).

19. SEGMENT INFORMATION

For management purposes, the Company is organised into business units based on its geographical regions within the Kingdom of Saudi Arabia, as follows:

	Central region SR	***Eastern region SR***	***Western region SR***	***Total SR***
For the three-month period ended at 30 September 2021(Unaudited)				
Revenues	285,091,161	136,652,299	233,244,589	654,988,049
Cost of revenues	234,749,494	111,248,781	189,394,764	535,393,039
Asset depreciation and amortization	2,552,809	1,383,891	2,848,022	6,784,722
Depreciation of right-of-use assets	1,102,551	339,238	592,537	2,034,326
Segment profit before zakat	**21,362,493**	**14,632,321**	**20,639,778**	**56,634,592**
Total assets 30 September 2021 (Unaudited)	551,430,660	236,047,969	360,238,778	1,147,717,407
Total liabilities 30 September 2021 (Unaudited)	353,524,242	12,698,334	20,929,828	387,152,404

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20. SEGMENT INFORMATION (continued)

	Central region	*Eastern region*	*Western region*	*Total*
	SR	*SR*	*SR*	*SR*
For the nine-month period ended at 30 September 2021(Unaudited)				
Revenues	851,606,779	379,283,302	666,635,784	1,897,525,865
Cost of revenues	712,079,032	313,354,402	546,055,424	1,571,488,858
Asset depreciation and amortization	7,542,110	4,296,626	9,146,893	20,985,629
Depreciation of right-of-use assets	3,241,429	936,819	1,782,941	5,961,189
Segment profit before zakat	**54,131,148**	**31,620,026**	**45,765,398**	**131,516,572**
Total assets 30 September 2021 (Unaudited)	551,430,660	236,047,969	360,238,778	1,147,717,407
Total liabilities 30 September 2021 (Unaudited)	353,524,242	12,698,334	20,929,828	387,152,404

	Central region	*Eastern region*	*Western region*	*Total*
	SR	*SR*	*SR*	*SR*
For the three-month period ended at 30 September 2020 (Unaudited)				
Revenues	276,970,111	131,207,030	218,200,399	626,377,540
Cost of revenues	225,848,737	105,098,033	173,165,687	504,112,457
Asset depreciation and amortization	2,408,830	1,557,129	3,284,600	7,250,559
Depreciation of right-of-use assets	950,657	266,541	619,754	1,836,952
Segment profit before zakat	36,657,428	14,034,024	19,870,474	70,561,926
Total assets 31 December 2020	512,376,104	219,767,247	337,705,454	1,069,848,805
Total liabilities 31 December 2020	101,077,110	158,667,167	169,653,585	429,397,862

	Central region	*Eastern region*	*Western region*	*Total*
	SR	*SR*	*SR*	*SR*
For the nine-month period ended at 30 September 2020 (Unaudited)				
Revenues	866,065,440	399,396,749	650,898,406	1,916,360,595
Cost of revenues	691,702,883	318,677,995	518,713,852	1,529,094,730
Asset depreciation and amortization	7,062,767	4,836,865	10,558,797	22,458,429
Depreciation of right-of-use assets	2,880,207	716,407	1,685,209	5,281,823
Segment profit before zakat	105,992,057	46,140,040	57,136,992	209,269,089
Total assets 31 December 2020	512,376,104	219,767,247	337,705,454	1,069,848,805
Total liabilities 31 December 2020	101,077,110	158,667,167	169,653,585	429,397,862

The 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.

21. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Company has given letters of guarantee, limited to SR 600,000 (31 December 2020: SR 410,000), in respect of contract performance, and letters of credit amounting to SR 15,727,834 (31 December 2020: SR 33,597,707). There are Invoices Payable under the Supply Chain Finance Facility amounting to SR 39,882,678 as at 30 September 2021 (31 December 2020: nil) and capital commitments amounting to SR 1,000,389 as at 30 September 2021 (31 December 2020: SR 9,677,152) related to property, plant and equipment.

22. COVID 19 IMPACT

A novel strain of coronavirus ("COVID-19") was first identified at the end of December 2019, subsequently in June 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 resulted in a slowdown of economic activities and shutdowns 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 period. 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 partners and other factors.

As far and as of the date of preparation of the interim condensed financial statements for the period ended 30 September 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.

23. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved for issuance by the Board of Directors on 4 Rabi' al Thani 1443H (corresponding to 9 November 2021).

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