

**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

<b>INDEX</b>	<b>PAGE</b>
Independent auditor's report	2-3
Statement of financial position	4
Statement of profit or loss and other comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 – 39

**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.

**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



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
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
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	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>354,063,685</b>	<b>310,849,342</b>
<b>CURRENT ASSETS</b>			
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
<b>TOTAL CURRENT ASSETS</b>		<b>669,044,752</b>	<b>656,758,888</b>
<b>TOTAL ASSETS</b>		<b>1,023,108,437</b>	<b>967,608,230</b>
<b>PARTNERS' EQUITY AND LIABILITIES</b>			
<b>PARTNERS' EQUITY</b>			
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
<b>TOTAL PARTNERS' EQUITY</b>		<b>463,701,549</b>	<b>478,379,078</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liability – noncurrent portion	7	38,684,294	-
Employees' defined benefit liabilities	18	34,793,554	27,612,127
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>73,477,848</b>	<b>27,612,127</b>
<b>CURRENT LIABILITIES</b>			
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
<b>TOTAL CURRENT LIABILITIES</b>		<b>485,929,040</b>	<b>461,617,025</b>
<b>TOTAL LIABILITIES</b>		<b>559,406,888</b>	<b>489,229,152</b>
<b>TOTAL LIABILITIES AND PARTNERS' EQUITY</b>		<b>1,023,108,437</b>	<b>967,608,230</b>

The attached notes 1 to 33 form part of these financial statements.

Amin Al Agha  
CFO

Thamer Abanuman  
CEO

chairman

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)
<b>GROSS PROFIT</b>		<b>334,650,877</b>	<b>411,869,246</b>
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)
<b>OPERATING PROFIT</b>		<b>104,026,244</b>	<b>184,375,234</b>
Other income/(loss), net	24	17,448,946	(22,612,234)
Finance costs	25	(9,530,368)	(6,847,167)
<b>PROFIT BEFORE ZAKAT FOR THE YEAR</b>		<b>111,944,822</b>	<b>154,915,833</b>
Zakat	21	(2,780,142)	(5,441,206)
<b>PROFIT FOR THE YEAR</b>		<b>109,164,680</b>	<b>149,474,627</b>
<b>Other comprehensive (loss)/income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of employees' defined benefit liabilities	18	(3,842,209)	1,900,128
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>105,322,471</b>	<b>151,374,755</b>
<b>Earnings per share</b>			
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
<b>OPERATING ACTIVITIES</b>			
Profit before zakat		111,944,822	154,915,833
<i>Non-cash adjustments to reconcile profit before zakat to net cash flows from operating activities</i>			
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
		<u>156,642,691</u>	<u>199,918,564</u>
<b>Working capital adjustments:</b>			
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		<u>24,219,765</u>	<u>(63,710,567)</u>
		<u>152,841,638</u>	<u>257,217,434</u>
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)
<b>Net cash from operating activities</b>		<u>138,497,203</u>	<u>243,220,670</u>
<b>INVESTING ACTIVITIES</b>			
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)
<b>Net cash used in investing activities</b>		<u>(23,326,700)</u>	<u>(35,276,770)</u>
<b>FINANCING ACTIVITIES</b>			
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)
<b>Net cash used in financing activities</b>		<u>(123,426,373)</u>	<u>(206,841,764)</u>
(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
<b>Bank balances and cash at the end of the year</b>	10	<u>20,090,651</u>	<u>28,346,521</u>
<b>Non-cash transactions</b>			
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:

<i>Commercial registration</i>	<i>Branch location</i>
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.

# ALMUNAJEM COLD STORES COMPANY

## (A Limited Liability Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2019

#### 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:

	<b>1 January 2019 SR</b>
<b>Assets</b>	
Right-of-use assets	<b>38,719,271</b>
Total assets	<b>38,719,271</b>
	<b>1 January 2019 SR</b>
<b>Liabilities</b>	
Lease liabilities	<b>38,719,271</b>
Total liabilities	<b>38,719,271</b>

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.

**ALMUNAJEM COLD STORES COMPANY**  
**(A Limited Liability Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

As at 31 December 2019

**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:

	<i>1 January 2019</i> <i>SR</i>
<b>Assets</b>	
Operating lease commitments as at 31 December 2018	<b>10,986,655</b>
Weighted average incremental borrowing rate as at 1 January 2019	<b>2.39%</b>
	<hr/>
Discounted operating lease commitments as at 1 January 2019	<b>8,109,323</b>
<b>Add:</b>	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	<b>30,609,948</b>
	<hr/>
Lease liabilities as at 1 January 2019	<b>38,719,271</b>
	<hr/> <hr/>

**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.

# ALMUNAJEM COLD STORES COMPANY

## (A Limited Liability Company)

---

### NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2019

#### 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*.

# ALMUNAJEM COLD STORES COMPANY

## (A Limited Liability Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2019

#### 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:

<i>Category of property, plant and equipment</i>	<i>Useful lives</i>
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.

# ALMUNAJEM COLD STORES COMPANY

## (A Limited Liability Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2019

#### 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:

<i>Category of lease</i>	<i>Useful lives</i>
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.

# ALMUNAJEM COLD STORES COMPANY

## (A Limited Liability Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2019

#### 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.

# ALMUNAJEM COLD STORES COMPANY

## (A Limited Liability Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

#### 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.

# ALMUNAJEM COLD STORES COMPANY

## (A Limited Liability Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

#### 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.

# ALMUNAJEM COLD STORES COMPANY

## (A Limited Liability Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

#### 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.

# ALMUNAJEM COLD STORES COMPANY

## (A Limited Liability Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

#### 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.

# ALMUNAJEM COLD STORES COMPANY

## (A Limited Liability Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

#### 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.

# ALMUNAJEM COLD STORES COMPANY

## (A Limited Liability Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

#### 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.

# ALMUNAJEM COLD STORES COMPANY

## (A Limited Liability Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

#### 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.

# ALMUNAJEM COLD STORES COMPANY

## (A Limited Liability Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

#### 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.

# ALMUNAJEM COLD STORES COMPANY

## (A Limited Liability Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

#### 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:

	<i>Buildings SR</i>	<i>Land* SR</i>	<i>Motor vehicles SR</i>	<i>Total SR</i>
As at 1 January 2019	288,300	32,185,238	6,245,733	<b>38,719,271</b>
Additions	4,986,934	-	6,641,183	<b>11,628,117</b>
Depreciation expense	(280,435)	(1,531,631)	(3,593,402)	<b>(5,405,468)</b>
<b>At 31 December 2019</b>	<b>4,994,799</b>	<b>30,653,607</b>	<b>9,293,514</b>	<b>44,941,920</b>

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

	<i>Buildings SR</i>	<i>Land* SR</i>	<i>Motor vehicles SR</i>	<i>Total SR</i>
As at 1 January 2019	288,300	32,185,238	6,245,733	<b>38,719,271</b>
Additions	4,986,934	-	6,641,183	<b>11,628,117</b>
Accretion of interest (note 25)	53,575	749,081	172,653	<b>975,309</b>
Payments	(322,500)	(845,270)	(3,698,135)	<b>(4,865,905)</b>
<b>At 31 December 2019</b>	<b>5,006,309</b>	<b>32,089,049</b>	<b>9,361,434</b>	<b>46,456,792</b>
Current	527,513	2,971,271	4,273,714	<b>7,772,498</b>
Non-Current	4,478,796	29,117,778	5,087,720	<b>38,684,294</b>

\*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:

	<i>For the year ended 31 December 2019 SR</i>
Depreciation expense of right-of-use assets	<b>5,405,468</b>
Interest expense on lease liabilities (note 25)	<b>975,309</b>
Expense relating to short-term leases (note 22)	<b>1,257,537</b>
<b>Total amount recognised in profit or loss</b>	<b>7,638,314</b>

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).

**ALMUNAJEM COLD STORES COMPANY**  
**(A Limited Liability Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2019

**8. PROPERTY, PLANT AND EQUIPMENT**

	<i>Freehold land SR</i>	<i>Buildings SR</i>	<i>Plant and equipment SR</i>	<i>Furniture and fixture SR</i>	<i>Computer SR</i>	<i>Motor vehicles SR</i>	<i>Construction work in progress (b) SR</i>	<i>Total SR</i>
<b>Cost:</b>								
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)	-
<b>At 31 December 2019</b>	<b>83,954,109</b>	<b>177,007,330</b>	<b>121,152,626</b>	<b>23,158,903</b>	<b>13,431,577</b>	<b>108,505,042</b>	<b>10,773,833</b>	<b>537,983,420</b>
<b>Depreciation:</b>								
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)
<b>At 31 December 2019</b>	<b>-</b>	<b>43,644,774</b>	<b>86,382,746</b>	<b>16,065,805</b>	<b>11,765,143</b>	<b>76,008,891</b>	<b>-</b>	<b>233,867,359</b>
Net book value:								
<b>At 31 December 2019</b>	<b>83,954,109</b>	<b>133,362,556</b>	<b>34,769,880</b>	<b>7,093,098</b>	<b>1,666,434</b>	<b>32,496,151</b>	<b>10,773,833</b>	<b>304,116,061</b>
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.

**ALMUNAJEM COLD STORES COMPANY**  
**(A Limited Liability Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2019

**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

Depreciation charge for the year is allocated as follows:

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
Cost of revenues	<b>2,419,102</b>	2,306,661
Selling and distribution expenses (note 22)	<b>24,729,053</b>	22,870,941
General and administrative expenses (note 23)	<b>322,480</b>	662,701
<b>Total</b>	<b><u>27,470,635</u></b>	<b><u>25,840,303</u></b>

**9. INTANGIBLE ASSETS**

	<i>Computer software</i>
	<i>SR</i>
<i>Cost:</i>	
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)
<b>At 31 December 2019</b>	<b><u>23,503,993</u></b>
<i>Amortization:</i>	
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)
<b>At 31 December 2019</b>	<b><u>18,498,289</u></b>
<i>Net book value:</i>	
<b>At 31 December 2019</b>	<b><u>5,005,704</u></b>
At 31 December 2018	<b><u>5,850,239</u></b>

Amortization charge for the year is allocated as follows:

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
General and administrative expenses (note 23)	<b>1,189,807</b>	1,840,686
Selling and distribution expenses (note 22)	<b>51,566</b>	36,793
	<b><u>1,241,373</u></b>	<b><u>1,877,479</u></b>

**10. BANK BALANCES AND CASH**

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
Cash at banks	<b>17,914,494</b>	24,762,679
Cash on hand	<b>2,176,157</b>	3,583,842
	<b><u>20,090,651</u></b>	<b><u>28,346,521</u></b>

At 31 December 2019, the Company had available SR 285,000,000 (31 December 2018: SR 260,000,000) of undrawn committed borrowing facilities.

**ALMUNAJEM COLD STORES COMPANY**  
**(A Limited Liability Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2019

**11. TRADE RECEIVABLES**

	<b>2019</b> <b>SR</b>	<b>2018</b> <b>SR</b>
Trade receivables	<b>192,156,585</b>	201,122,994
Less: Allowance for expected credit losses	<b>(4,624,131)</b>	(7,453,101)
	<b>187,532,454</b>	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:

	<b>2019</b> <b>SR</b>	<b>2018</b> <b>SR</b>
At the beginning of the year	<b>7,453,101</b>	6,413,722
Allowance for expected credit losses (note 22)	<b>1,033,841</b>	2,056,686
Write-off	<b>(3,862,811)</b>	(1,017,307)
As at the end of the year	<b>4,624,131</b>	7,453,101

As at 31 December, the ageing of unimpaired trade accounts receivable is as follows:

	<i>Total</i> <i>SR</i>	<i>&lt; 30 days</i> <i>SR</i>	<i>&lt; 31 to 90 days</i> <i>SR</i>	<i>91 to 180 days</i> <i>SR</i>	<i>181 to 365 days</i> <i>SR</i>	<i>&gt; 365 days</i> <i>SR</i>
<b>31 December 2019</b>	<b>192,156,585</b>	<b>138,638,910</b>	<b>45,573,938</b>	<b>1,511,910</b>	<b>871,877</b>	<b>5,559,950</b>
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**

	<b>2019</b> <b>SR</b>	<b>2018</b> <b>SR</b>
Advances to suppliers and contractors	<b>10,362,662</b>	7,263,213
Employees' receivables	<b>1,685,415</b>	1,627,633
Other financial assets	<b>772,993</b>	6,523,963
	<b>12,821,070</b>	15,414,809
Less: Allowance for expected credit losses (note 22)	-	(1,657,889)
	<b>12,821,070</b>	13,756,920

**13. PREPAYMENTS AND OTHER ASSETS**

	<b>2019</b> <b>SR</b>	<b>2018</b> <b>SR</b>
Prepayments	<b>7,733,307</b>	3,939,245
Other assets	<b>1,794,840</b>	63,467
	<b>9,528,147</b>	4,002,712

**ALMUNAJEM COLD STORES COMPANY**  
**(A Limited Liability Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2019

**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:

	<i>Sales</i> <i>SR</i>	<i>Purchases</i> <i>SR</i>	<i>Expenses on</i> <i>behalf</i> <i>SR</i>
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:

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
France Poultry	<b>40,509,156</b>	60,650,508
Shawaya House Company	<b>3,116,483</b>	4,204,968
Gulf Catering Company	<b>1,038,949</b>	1,109,872
Gulf Catering Food Factory (Kako)	<b>849,447</b>	1,046,812
Nutrition and Diet Center Company	<b>738,476</b>	3,337,381
Burieda Trading and Refrigeration Company	<b>400,265</b>	-
Az-Zad Saudi Company	<b>17,747</b>	-
Al-Kafa'a Real State Company	<b>9,400</b>	-
Others	<b>33,694</b>	583,841
	<b>46,713,617</b>	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:

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
Sudair Frozen Factory	<b>111,998</b>	-
Thati Limited Company	<b>83,174</b>	53,202
Al Ameda Contracting Company	<b>589</b>	-
Az-Zad Saudi Company	-	19,684
	<b>195,761</b>	72,886

**ALMUNAJEM COLD STORES COMPANY**  
**(A Limited Liability Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2019

**14. RELATED PARTIES DISCLOSURES (continued)**

**c) Amount due to a partner**

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
Abdullah Al Ali Al Munajem Sons Company	<b>107,988,225</b>	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:

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
At the beginning of the year	<b>111,770,382</b>	111,524,997
Expenses (by) / on behalf of Abdullah Al Ali Al Munajem Sons Company	<b>(1,535,030)</b>	245,385
Rent paid (note 7) *	<b>845,270</b>	845,270
Payment	<b>(3,092,397)</b>	(845,270)
At the end of the year	<b>107,988,225</b>	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:

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
Short-term employee benefits	<b>4,836,702</b>	4,743,745
Employees' defined benefit liabilities	<b>563,178</b>	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**

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
Non-retail - Goods transferred at a point in time	<b>1,543,804,151</b>	1,533,533,434
Retail - Goods transferred at a point in time	<b>867,447,964</b>	959,943,333
Services transferred over time	<b>7,808,302</b>	3,868,106
	<b>2,419,060,417</b>	2,497,344,873
	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>2,411,252,115</b>	2,493,476,767
Services transferred over time	<b>7,808,302</b>	3,868,106
	<b>2,419,060,417</b>	2,497,344,873

**ALMUNAJEM COLD STORES COMPANY**  
**(A Limited Liability Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2019

**15. REVENUES (continued)**

**15.1 RIGHT OF RETURN ASSETS AND REFUND LIABILITIES**

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
Right of return assets	<b>544,782</b>	594,551
Refund liabilities	<b>740,000</b>	723,292

**16. INVENTORIES**

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
Goods for resale	<b>270,455,605</b>	235,660,252
Goods in transit	<b>112,733,402</b>	99,060,979
Other inventories	<b>8,625,024</b>	10,733,678
	<b>391,814,031</b>	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:

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
Abdullah Al Ali Al Munajem Sons Company	<b>99%</b>	99%
Al-Kafa'a Real Estate Company	<b>1%</b>	1%
	<b>100%</b>	100%

**18. EMPLOYEES' DEFINED BENEFITS LIABILITIES**

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
At the beginning of the year	<b>27,612,127</b>	26,813,559
Current service cost (recognized in profit and loss)	<b>3,673,915</b>	3,210,019
Interest cost (recognized in profit and loss) (note 25)	<b>1,216,116</b>	997,361
Payment	<b>(1,550,813)</b>	(1,508,684)
Actuarial loss (gain) (recognized in OCI)	<b>3,842,209</b>	(1,900,128)
At the end of the year	<b>34,793,554</b>	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".

**ALMUNAJEM COLD STORES COMPANY**  
**(A Limited Liability Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2019

**18. EMPLOYEES' DEFINED BENEFITS LIABILITIES (continued)**

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
Discount rate	<b>3.10%</b>	4.55%
Duration of the Liability (in years)	<b>9.5</b>	9.5
Rate of salary increases	<b>2.00%</b>	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:

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
At the beginning of the year	<b>(2,341,455)</b>	(441,327)
Actuarial loss (gain) on the obligation	<b>3,842,209</b>	(1,900,128)
At the end of the year	<b>1,500,754</b>	<b>(2,341,455)</b>

*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.

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
Increase in discount rate of 1%	<b>(2,704,775)</b>	(2,038,204)
Decrease in discount rate of 1%	<b>3,126,020</b>	2,342,542
Increase in rate of salary increase of 1%	<b>3,129,287</b>	2,380,416
Decrease in rate of salary increase of 1%	<b>(2,757,073)</b>	(2,104,950)

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

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
Within the next 12 months (next annual reporting period)	<b>5,090,290</b>	4,336,437
Between 2 and 5 years	<b>15,380,860</b>	13,957,031
Beyond 5 years	<b>20,746,620</b>	18,898,100
	<b>41,217,770</b>	<b>37,191,568</b>

**19. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES**

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
Trade payables	<b>180,834,012</b>	162,204,029
Accrued expenses	<b>19,239,009</b>	19,982,582
Advances from customers	<b>489,059</b>	501,919
Other payables	<b>890,334</b>	920,729
	<b>201,452,414</b>	<b>183,609,259</b>

*Terms and conditions of the above financial liabilities:*

\* Trade payables and other payables are non-interest bearing and have a term of three months.

**ALMUNAJEM COLD STORES COMPANY**  
**(A Limited Liability Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2019

**20. SHORT-TERM LOANS**

	<i>Effective Interest rate %</i>	<i>Maturity</i>	<b>2019 SR</b>	<b>2018 SR</b>
SR 25 million	<i>SIBOR + Fixed rate</i>	<i>Less than 1 month</i>	<b>25,000,000</b>	-
SR 23 million	<i>SIBOR + Fixed rate</i>	<i>Less than 1 month</i>	<b>23,000,000</b>	-
SR 87 million	<i>SIBOR + Fixed rate</i>	<i>Less than 1 month</i>	<b>87,000,000</b>	-
SR 30 million	<i>SIBOR + Fixed rate</i>	<i>Less than 1 month</i>	<b>30,000,000</b>	-
SR 15 million	<i>SIBOR + Fixed rate</i>	<i>Less than 1 month</i>	-	15,000,000
SR 62 million	<i>SIBOR + Fixed rate</i>	<i>Less than 1 month</i>	-	62,000,000
SR 17 million	<i>SIBOR + Fixed rate</i>	<i>Less than 1 month</i>	-	17,000,000
SR 17 million	<i>SIBOR + Fixed rate</i>	<i>Less than 1 month</i>	-	17,000,000
SR 30 million	<i>SIBOR + Fixed rate</i>	<i>Less than 1 month</i>	-	30,000,000
SR 19 million	<i>SIBOR + Fixed rate</i>	<i>Less than 1 month</i>	-	19,000,000
			<b>165,000,000</b>	<b>160,000,000</b>

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:

	<b>2019 SR</b>	<b>2018 SR</b>
Current year provision *	<b>2,780,142</b>	5,441,206
Total provided during the year	<b>2,780,142</b>	5,441,206

***Movement in the zakat provision:***

	<b>2019 SR</b>	<b>2018 SR</b>
At the beginning of the year	<b>5,441,206</b>	6,584,138
Current year provision	<b>2,780,142</b>	5,441,206
Payment during the year	<b>(5,441,206)</b>	(6,584,138)
At the end of the year	<b>2,780,142</b>	5,441,206

**ALMUNAJEM COLD STORES COMPANY**  
**(A Limited Liability Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2019

**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**

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
Employee costs	<b>92,370,610</b>	93,406,713
Marketing expenses	<b>25,997,072</b>	23,110,569
Depreciation (note 8)	<b>24,729,053</b>	22,870,941
Utilities	<b>12,846,677</b>	14,647,188
Sales commission	<b>12,129,892</b>	12,491,234
Loading and unloading	<b>11,563,389</b>	10,609,394
Car running expenses	<b>8,505,562</b>	8,225,973
Insurance	<b>3,549,478</b>	3,014,631
Port detention/electric charges	<b>2,477,891</b>	1,072,141
Cold stores maintenance	<b>2,142,457</b>	2,651,196
Business travel expenses	<b>1,417,293</b>	1,520,271
Rental expenses (note 7)	<b>1,257,537</b>	4,702,051
Allowance for ECL on trade receivables (note 11)	<b>1,033,841</b>	2,056,686
Stationaries and printings	<b>731,375</b>	975,500
Amortization (note 9)	<b>51,566</b>	36,793
Allowance for ECL on other current financial assets (note 12)	<b>-</b>	1,657,889
Other expenses	<b>5,165,301</b>	4,192,011
	<b>205,968,994</b>	207,241,181

**23. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
Employee costs	<b>13,925,796</b>	12,670,377
Amortization (note 9)	<b>1,189,807</b>	1,840,686
Bank charges	<b>1,099,670</b>	1,202,059
Utilities	<b>591,600</b>	655,383
Depreciation (note 8)	<b>322,480</b>	662,701
Professional fees	<b>285,041</b>	408,264
Repair and maintenance	<b>182,279</b>	175,914
Transportation and travelling	<b>164,379</b>	180,652
Other expenses	<b>1,489,119</b>	2,456,795
	<b>19,250,171</b>	20,252,831

ALMUNAJEM COLD STORES COMPANY  
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

**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)
	<u>17,448,946</u>	<u>(22,612,234)</u>

- 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	-
	<u>9,530,368</u>	<u>6,847,167</u>

**26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

**26.1 FINANCIAL ASSETS**

	2019 SR	2018 SR
<b>Financial assets at amortised cost:</b>		
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
	<u>247,067,141</u>	<u>278,360,195</u>
Bank balances and cash	20,090,651	28,346,521
<b>Total financial assets</b>	<u>267,157,792</u>	<u>306,706,716</u>

**26.2 FINANCIAL LIABILITIES**

	Effective Interest rate	Maturity	2019 SR	2018 SR
<b>Current interest-bearing liabilities</b>				
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
			<u>463,169,889</u>	<u>435,469,945</u>
<b>Non-current interest-bearing liabilities</b>				
Lease liabilities	2.39 %		<u>38,684,294</u>	<u>-</u>

- 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.

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)**

**26.3 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	<i>1 January 2019</i> <i>SR</i>	<i>Cash flows</i> <i>SR</i>	<i>New lease</i> <i>SR</i>	<i>31 December</i> <i>2019</i> <i>SR</i>
Short term loans	160,000,000	5,000,000	-	<b>165,000,000</b>
Non-current lease liabilities	-	-	38,684,294	<b>38,684,294</b>
Current lease liabilities	-	-	7,772,498	<b>7,772,498</b>
<b>Total liabilities from financing activities</b>	<b>160,000,000</b>	<b>5,000,000</b>	<b>46,456,792</b>	<b>211,456,792</b>

	<i>1 January 2018</i> <i>SR</i>	<i>Cash flows</i> <i>SR</i>	<i>New lease</i> <i>SR</i>	<i>31 December</i> <i>2018</i> <i>SR</i>
Short term loans	161,000,000	(1,000,000)	-	160,000,000
<b>Total liabilities from financing activities</b>	<b>161,000,000</b>	<b>(1,000,000)</b>	<b>-</b>	<b>160,000,000</b>

**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.

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)**

***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:

	<i>45 basis points increase SR</i>	<i>45 basis points decrease SR</i>
<b>2019</b>	<b>(8,763)</b>	<b>8,763</b>
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.

	<i>5% increase SR</i>	<i>5% decrease SR</i>
<b>2019</b>	<b>(1,633,226)</b>	<b>1,633,226</b>
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:

	<i>Not past due SR</i>	<i>Trade receivable – days past due</i>				<i>Total SR</i>
		<i>&lt;90 SR</i>	<i>90-180 SR</i>	<i>181-365 SR</i>	<i>&gt;365 SR</i>	
<b>31 December 2019</b>						
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	<b>192,156,585</b>
Simplified ECL	(285,717)	(300,364)	(333,901)	(429,904)	(3,274,245)	<b>(4,624,131)</b>
	<u>139,732,300</u>	<u>45,052,617</u>	<u>1,131,834</u>	<u>435,194</u>	<u>1,180,509</u>	<u><b>187,532,454</b></u>
	<i>Not past due SR</i>	<i>Trade receivable – days past due</i>				<i>Total SR</i>
		<i>&lt;90 SR</i>	<i>90-180 SR</i>	<i>181-365 SR</i>	<i>&gt;365 SR</i>	
<b>31 December 2018</b>						
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)
	<u>141,424,768</u>	<u>47,404,636</u>	<u>2,190,529</u>	<u>753,878</u>	<u>1,896,082</u>	<u>193,669,893</u>

**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.

	<i>Within 3 months SR</i>	<i>3 months to 1 year SR</i>	<i>1 to 5 years SR</i>	<i>More than 5 years SR</i>	<i>Total SR</i>
<b>31 December 2019</b>					
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
	<u>459,127,946</u>	<u>3,365,935</u>	<u>15,564,895</u>	<u>34,510,000</u>	<u>512,568,776</u>
	<i>Within 3 months SR</i>	<i>3 months to 1 year SR</i>	<i>1 to 5 years SR</i>	<i>More than 5 years SR</i>	<i>Total SR</i>
<b>31 December 2018</b>					
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
	<u>435,469,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>435,469,945</u>

# 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)
	<u>336,928,062</u>	<u>276,477,194</u>
Equity	<u>463,701,549</u>	<u>478,379,078</u>
<b>Capital and net debt</b>	<u><b>800,629,611</b></u>	<u><b>754,856,272</b></u>
Gearing ratio	<b>42%</b>	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)
<b>Segment profit</b>	<u><b>91,825,022</b></u>	<u><b>7,930,470</b></u>	<u><b>12,189,330</b></u>	<u><b>111,944,822</b></u>
Total assets	<u>479,212,283</u>	<u>202,375,074</u>	<u>341,521,080</u>	<u>1,023,108,437</u>
Total liabilities	<u>400,565,792</u>	<u>54,745,078</u>	<u>104,096,018</u>	<u>559,406,888</u>

**ALMUNAJEM COLD STORES COMPANY**  
**(A Limited Liability Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2019

**30. SEGMENT INFORMATION (continued)**

<i>31 December 2018</i>	<i>Central region SR</i>	<i>Eastern region SR</i>	<i>Western region SR</i>	<i>Total SR</i>
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)
<b>Segment profit</b>	<b>95,459,920</b>	<b>25,832,977</b>	<b>33,622,936</b>	<b>154,915,833</b>
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).